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ABSTRACT

Case studies of 27 plant shutdowns during the past two decades are summarized and analyzed. The organization of this research summary follows the plant-closing event in a chronological fashion. In the first section is considered the state of plant-closing research and the concerns and options of the groups involved in a shutdown. A second chapter views the management decision in a series of economic contexts: international, national, and local. Next, the immediate and intermediate responses of management, the union or unions, and the community are considered, together with some related material about recent state and federal legislative initiatives and a brief outline of how European countries respond to economic dislocation. The second half of the volume (chapters 4-6) is concerned with the experiences of the displaced workers, their job search behaviors and subsequent labor market experiences, their participation in programs designed to facilitate reemployment and the outcomes of those programs, and the effects of job loss on mental health. A concluding section reflects upon the aims and objectives set out earlier and proposes concrete research projects as well as a general research agenda. It also summarizes the research findings and outlines the implications for policy and practice. (YLB)

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Plant Closings and Economic Dislocation

Jeanne Prial Gordus
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The University of Michigan

CE 032 149

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4

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FOREWORD

The negative impact of plant closings and relocations on individuals and communities is of growing public concern as the frequency of these phenomena increases. Joblessness associated with plant closings now appears to contribute to national unemployment statistics.

In this comprehensive review of the plant-closing research undertaken over the past two decades, the authors attempt to identify conceptual and methodological limitations of past research, areas where policy needs to be developed, and directions in which programming efforts should move. It is intended as a compendium of information which could promote the formulation of a new research agenda and assist policymakers and planners who might wish to review past efforts in order to find directions for the present and future.

Facts and observations as presented in this monograph are the sole responsibility of the authors. Their viewpoints do not necessarily represent positions of the W. E. Upjohn Institute for Employment Research.

E. Earl Wright
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Kalamazoo, Michigan
November 1981

6

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PREFACE

The purpose of this study is to summarize and synthesize the results of the most significant plant-closing studies published during the past two decades. This review was undertaken with two major objectives in mind. First, a simple summary of the literature and a convenient compilation of research findings would be, it was hoped, helpful to those who wish to pursue research in this area as well as to those who are concerned about the policy and program implications of industrial relocation. Second, and perhaps more important, we have attempted to review the literature in terms of several critical questions, such as reemployment experiences of displaced workers, community responses to plant closings, and mental health outcomes of unemployment, so as to identify what advances in our understanding have been made over the past two decades. The natural results of that approach have been the identification of areas where research is either nonexistent or inadequate, suggestions about the causes of these lacunae, and recommendations about the conceptual and methodological approaches which would be most productive.

This review focuses upon the standard plant-closing study, which is typically a case study or a collection of case studies. The organization of this research summary follows the plant-closing event in a chronological fashion. We proceed from a first section, which considers the state of plant-closing research and the concerns and options of the groups involved in a shutdown, to a second chapter, which views the manage-

3

ment decision in a series of economic contexts: international, national and local. Next, the immediate and intermediate responses of management, the union or unions, and the community are considered, together with some related material about recent state and federal legislative initiatives and a brief outline of how European countries respond to economic dislocation. The second half of this volume is concerned with the experiences of the displaced workers, their job search behaviors and subsequent labor market experiences, their participation in programs designed to facilitate reemployment and the outcomes of those programs, and the effects of job loss on mental health. A concluding section reflects upon the aims and objectives set out earlier and proposes concrete research projects as well as a general research agenda. It also summarizes the research findings and outlines the implications for policy and practice.

The studies we have selected for intensive review do not represent, as noted earlier, the entire plant-closing literature of the past two decades, although the vast majority of studies are included. Also, some research reports which are not standard plant-closing studies and therefore do not appear in our list of studies reviewed are cited extensively. This research from more general areas, such as unemployment and mental health, community and political action, and the impacts of shifts in investment patterns, is interwoven with the results of plant-closing studies to further validate, confirm, and illuminate those findings as well as to raise questions about them. Our analysis is heavily reliant on 27 plant closings reported in 20 studies. These studies appear early, as in Dorsey's study of the Mack closing in 1963. Others are very recent, such as the Aronson and McKersie comparative analyses from upstate New York completed in 1980. Some of the studies are accounts of industrial dislocation in New England, for example, the five studies of Devino,

Raphaelson and Storer as well as the Lipsky analysis of interplant transfer, while New York state is represented by Foltman's study of the difference between blue-collar and white-collar workers in response to job loss. All but one of the studies are American. (We have included Portis and Suy's study of the impact of early notification of the closing at the Kelvinator plant in London, Ontario.) Several studies of the midwestern experience, notably Aiken, Ferman and Sheppard and Palen and Fahey, as well as Root, are included and the South is represented by McCrea's study of Roanoke, the Shultz analysis of the Fort Worth program, and Walter Strange's study of Saltville, Virginia. Geographic diversity is paralleled by industrial diversity: Aiken, Ferman and Sheppard as well as Palen and Fahey studied automobile manufacturing; McCrea studied the fabric industry; and Stern and others studied the transformation of the meatpacking industry. More recent studies, such as Aronson and McKersie, feature newer industries—television tubes and photographic equipment.

It is important to note that there is little unity among these studies. This diversity is real. It does not simply reflect a different industry in a different area studied at a different time. Methodology and conceptualization of the several studies differ substantially. The approach and focus of each study is different. Several, such as Stern and Lipsky, are actually program evaluations, while others, such as Root and Strange, stress the noneconomic consequences of closures but in very different ways. While the unity is often more apparent, because of similar subject matter, than real, the consistent results or concerns that emerge are emphasized.

This review is, in several important respects, a continuation and update of work begun by William A. Haber, Louis A. Ferman, and James Hudson in the early 1960s and published by the W. E. Upjohn Institute for Employment Research as *The Impact of Technological Change: The*

American Experience in 1963. Like that volume, the present study concentrates upon the standard plant-closing situation captured at the time of the closure. It emphasizes the aftermath of the management decision, the labor market experiences of the displaced workers and the effectiveness of programs mounted to assist with the transition. However, the concerns of researchers in this area have changed, and the focus of the present review reflects that change. We see, for example, a new preoccupation with community response, with the unemployed family rather than the unemployed individual alone, and with programs which attempt to vary at an early point. Still, since the general approach of plant-closing studies has remained the same, and since plant closings have always been difficult experiences for individuals and communities, it is reassuring that the more recent studies continue to confirm earlier findings. On the other hand, that some similarities continue to exist between this review and its 1963 ancestor is a matter for concern, especially since industrial relocation is no longer viewed as a sporadic set of events characteristic of a growing and expanding economy, but rather as uncomfortably frequent symptoms of an economy undergoing an uncertain period of transition. Some of the same recommendations for research, policy development, and program implementation found in the earlier study are repeated in this volume. It is our hope that this volume will be generally useful and that the research, policy and program recommendations which have become even more important after more than 18 years will, at long last, be implemented.

CONTENTS

1. Introduction 1
The State of Plant-Closing Research 1
Management Post-Decision Concerns 7
Union Post-Decision Concerns 7
Community Post-Decision Concerns 8
Individual Post-Decision Concerns 8
Governmental Post-Decision Concerns 9
Management Repertoire of Post-Decision Responses 9
Labor Post-Decision Responses 10
Community Post-Decision Responses 10
Individual Post-Decision Responses 11
Government Post-Decision Responses 12

2. Economic Contexts and Management Decisions in Industrial Relocation and Plant Closing 17
Reasons for Industrial Relocation 17
International Economic Context: Capital, Production and Technology Transfer 19
National Economic Context: The Location Decisions of Firms 25
Plant-Closing Decisions and the Labor-Management Climate 28
Influencing the Decision to Relocate 32
Summary 35

3. Responses to Plant Shutdowns and Relocations 37
Assumptions, Perceptions, and Roles in Plant-Closing Responses 37
Management Response to Plant Closings..... 39
Union Response to Plant Closings 44
Community Response to Plant Closings..... 49
Legislation Initiatives in Response to Plant Closings 58
European Responses to Plant Closings..... 64
Summary 65

4. Labor Market Re-entry and the Reemployment Experience 67
Workforce Demographics 67
Job Search 69
Job Search Methods 75
Job Search Summary 79
Reemployment Experiences 80
Summary 95

5. Program Participation and Impacts 97
Transfer 97
Retraining 104
Retirement and Early Retirement 117
Early Notice..... 124

6. The Effects of Job Displacement on Mental Health..... 127
Economic Status, Economic Change, and Mental Health 128
Plant Closings and Mental Health Outcomes ... 130
Job Loss and Family Changes 143

7. New Directions for Research, Policy, and Program Development 151
Conceptual and Methodological Problems of Plant-Closing Research 152
A New Framework for Plant-Closing Research.. 156
Consequences of Plant Shutdowns 160
Some Policy Recommendations 165

List of Plant-Closing Studies 171

Chapter 1
Introduction

The State of Plant-Closing Research

Until recently, plant closings have been a relatively neglected area of research. While several case studies date back to the Great Depression and even before, and the threat of automation aroused considerable interest in the field in the 1960s, the fact that the national economy has been expanding has made the problem of industrial relocation appear to be a temporary phenomenon. While industrial relocation has meant disruption for individuals and communities, ultimate benefit was seen in the industrial growth that plant closings and relocations heralded. Considering the quantity of research on other employment problems, the literature on plant closings remains modest. Nevertheless analysis of the findings we do have can pinpoint areas where research is most urgently needed, areas where policy needs to be developed, and directions in which programming efforts should move.

There is now enormous public concern about the problems of plant closings, and this concern is reflected in the growing need of workers for reassurance as to the security of their jobs. Communities also are worried, especially those cities in the Northeast and Midwest that are losing old industries while failing to attract new facilities. Indeed there is apprehension on a national scale as an increasing fraction of the world's manufacturing capacity is being located abroad because of the cheaper labor markets available there. In-

terest has been keen in efforts by employees and/or community members to purchase plants slated for closing and to continue operations. At every level of government, serious problems arise as workers displaced by plant closings move to enroll in government programs that will compensate them for their losses or prepare them for effective labor market reentry.

Two additional factors contribute to the need for research on plant closings. The United States lags behind the other industrialized nations of the world in the development of a national employment policy, particularly of a policy directed toward the orderly management of the investment and disinvestment process. Various proposals have been brought before Congress and legislative initiatives on the local level are moving rapidly in some areas. Many states are considering bills requiring plants to give advance notice of closings. This legislative action is, however, taking place without adequate knowledge of the scope of the plant-closing problem and its long term effects, still less the appropriate strategies for reducing the costs incurred by industrial and economic dislocation.

Furthermore, we are still without information that is critical, not just to formation of national policy, but to effective development, implementation, and administration of *ad hoc* programs designed to confront economic emergencies. We do not have data on the prevalence of plant closings, on how many facilities shut down during any given year or for what reasons. We do not know the number of workers affected or the scope of the effects on communities. We do not know to what extent companies that move benefit from this investment strategy, and we have no clear idea of the available interventions or of their cost-effectiveness.

While the negative impact of plant closings upon individuals and communities has seldom been dismissed light-

ly, it has been possible to develop an argument that unemployment associated with plant closings is a relatively insignificant portion of the total national unemployment picture. Cross-sectional data to document the reasons why individuals are unemployed at a particular time are not available. Case study data, the staple of plant-closing research, reveal a great deal about unemployment in particular instances but have no wider applicability. There have been assertions that research, policies, and programs need not be developed especially for plant closings since the extensiveness of the problem does not justify widespread concern, but arguments as to the permanence of the termination associated with plant closings have been stressed to justify concern. Data are still not available to indicate clearly what percentage of those unemployed at any specific time are jobless because of plant shutdowns, but recently collated indirect evidence shows joblessness associated with plant closings now contributes significantly to the statistics on national unemployment. *Business Week*[1] estimates that two million jobs have been lost as a result of plant closings over the past five years. Bluestone and Harrison[2] examine the National Longitudinal Sample (NLS) and cite the findings of Parnes and King over the 7-year period 1966-73 for 4,000 males over the age of 45. Men were selected who had served at least five years with their employers and their employment histories were followed. About 4.6 percent of the sample, representing men over 45, experienced permanent involuntary separation from employment during the study period. These data, while far from comprehensive, confirm that plant closings provide a substantial part of the total unemployment figures. Research in plant closings has been confined to the case

1. *Business Week*, March 12, 1979, p. 41.

2. Barry Bluestone and Bennett Harrison, *Capital and Communities: The Causes and Consequences of Private Disinvestment* (Washington, DC: Progressive Alliance, 1980), p. 19 ff.

study and evaluation tradition and that as a consequence there is no comprehensive listing of plant closings and no statistics concerning the extent of unemployment directly or indirectly attributable to plant shutdowns.

While we have come to understand some of the consequences of plant closings for individuals and communities better than we did some two decades ago, we are coping with these consequences in much the same ways that were common then. The earlier solutions were designed as stop gap measures for victims of short-run problems created by an expanding economic system ultimately expected to benefit all. Even these limited goals were not met with a high degree of success; but this was not considered a serious deficiency, for this was a period when economic growth and job opportunities were expected to be in an upward spiral that would go on indefinitely.

Research on plant closings has always been undertaken with a strong orientation toward policy and program development. In fact, the literature is primarily concerned with the evaluation of programs. It is therefore particularly striking that in the years between 1963, when the first series of plant-closing studies were analyzed, and 1980, no really new approach has been tried. Benefits paid are higher, more attention is given to various provisions of collective bargaining agreements designed either to assist with plant-closing problems or to be adapted to meet that situation, and early retirement options have increased, but all these responses were available in one form or another in the early 1960s. Thus the past two decades have seen program amplification rather than program change. Despite the fact that these measures were never designed to attack a problem at its root, but simply to ease the difficulties in a transition period, they were not particularly effective in achieving even their stated and limited goals. Over the past two decades, they have been elaborated, extended, and evaluated. During the same period

the plant closing, often a healthy sign of growth and change, has become a symptom of a stagnant economy; measures designed to ameliorate the negative impact of plant closures have become less and less well adapted to that end.

Plant closings have a widespread rippling effect, and parties concerned have a repertoire of responses available to them. Once the decision to close has been made, management, unions, individuals, communities, local agencies, and elements of the government all have their own particular interests and priorities. If these parties view their problems as similar and agree on strategies for coping with them, a closing can take place with minimal difficulty. Yet, even in the best circumstances, it is clear that each of these groups will perceive a different part of the problem or often a different problem altogether, and that no single framework for understanding the full implications of plant closings currently exists. It is scarcely surprising then that no coherent policies or programs have been developed.

The design and implementation of policies and programs to deal with problems associated with plant closings inevitably promote suggestions about the development of a national policy—in fundamental opposition to the basic assumption that a capital market operates perfectly and that to intervene in this process risks serious disturbance of the market. This conflict, which is seldom made explicit in the plant-closing literature, is at the root of most of the observed inadequacies of research, policy development and program design, implementation and evaluation.

Although the national economic climate, the general industrial environment, and local realities and constraints are all significant both to the plant-closing decision and to its aftermath, plant-closing studies tend to be focused on the aftereffects of the decision. The decision in its general and specific context will be considered below at some length, but

the emphasis in this review will be placed upon the actors in the plant-closing situation, the repertoire of responses available to meet their concerns, whether and in what ways these concerns and responses are conjoined, and how this conjunction or lack of its affects final outcomes. The actors in a plant-closing situation are usually (1) management, (2) the union or unions, (3) the individual workers, and (4) the community. Within the idea of community, it is appropriate to group the local population in the most general sense: merchants whose sales will drop off; teachers whose jobs may be eliminated as the tax base is reduced; persons who provide services to affected workers, as well as those who join in a community effort to take action that may be deemed appropriate to the crisis. Local government, including both the service sector and industrial development, can also be assigned community membership, despite frequent strong links between local, state, and federal agencies. The fifth actor, often intimately involved with some or all of the others, includes state or federal agencies. Each actor has a specific set of concerns and a number of possible responses from which to draw actions that may be considered appropriate to the particular situation. It must once again be stressed that plant-closing research continues in the case study tradition and that the time dimension of these studies seldom extends beyond a year or two at most. Such studies never assess the problems beyond the narrow scope of one closed plant, because there are theoretically numerous ways in which the closing of a plant can proceed. Thus we can draw only upon limited evidence for a limited number of closings, but that evidence does suggest that certain responses by the several actors involved can minimize the costs associated with economic dislocation, while other responses can exacerbate the initial disturbance.

Management Post-Decision Concerns

Whatever reasons are advanced for plant closings, management will have much the same concerns during the shutdown period, whether the action is a closing or a relocation.

One major concern is to keep productivity as high as possible from the time the decision is announced until the time of actual closing. During the phase-out period, another management concern is to avoid public opprobrium. While this concern is directed chiefly toward workers, it includes the community at large, and to both groups management wishes to validate its competence in decisionmaking. It is important for management to avoid court suits that may be initiated by workers or the community. This priority is close to another management concern: that is, keeping industrial and local peace involves both avoiding local disapproval and restricting costs. Maintaining the physical integrity of the facility is crucial; a building must be in good repair if management plans to sell it. Maintenance of equipment is also important, whether that equipment is to be moved to another location or for the use of an eventual purchaser. Good relations must be maintained between management and the community to avoid possible tax penalties and to enlist the cooperation of local leaders in the sale of the facility. If the plant is moving to a new location, management must regard a smooth transition as one of its priorities, for such a transition will be obviously less costly. It is at this point that encouragement is given to certain key personnel to transfer with the plant, while inducements are offered to less valued workers to remain behind.

Union Post-Decision Concerns

A major priority of labor unions is to maintain the viability of the organization in the face of loss of membership. To

some degree this priority is consonant with labor's other aims during the phase-out, most if not all of which concern the affected workers. First, the unions attempt whenever possible to delay closings or to avoid them completely. Since either attempt is usually futile, the unions then move to maintain job security for members through transfer. Whether or not such transfers can be arranged, labor tries to maintain the income level of members as far as possible. Labor also is concerned about the trauma inflicted on unemployed and employed members of the union alike, stepping in to assist with problems associated with unemployment. Labor is concerned, as a first priority, with obtaining for members all the benefits to which they are entitled—and additional benefits if possible.

Community Post-Decision Concerns

Local communities faced with the prospect of a closing plant look first to maintaining the population and industrial base of the area. In one sense, this concern is closely tied to that of maintaining the tax base at its preclosing level. Often communities, like management, wish to delay the closing to insure a smooth change and avoid the flare-up of conflict and hostility that might endanger life and property. Local communities also hope that the physical plant and its equipment will remain intact and so they also wish to maintain a high level of services in the community for, even though the tax base may be jeopardized by the announced closing, communities are keenly aware of the important role that good services, roads, public safety, and schools can play in attracting and retaining industry.

Individual Post-Decision Concerns

Individuals wish above all to maintain economic and social security during the phase-out period. They need information about a range of issues bearing on job security and

income maintenance, as well as a sense of certainty about what plans are and are not feasible under the circumstances.

Governmental Post-Decision Concerns

Concerns of local, state, and federal government and the various agencies specifically mandated to respond to employment-related crises are roughly similar, although different levels of government and government agencies undoubtedly have different priorities depending upon the situation at hand. However, most levels of government would agree that, if possible, the ideal solution would be to prevent, delay or at least minimize the effects of closings. Failing that, concern shifts to recompensing workers for lost income, and to efforts toward their reemployment, such as training or retraining. However, local, state, and federal agencies have recently become aware that the problem of unemployment encompasses more than income maintenance and reemployment; the entire area of physical, emotional, and social consequences of unemployment and a changing industrial environment has become a matter for serious discussion. Finally, a continuing concern is to rebuild the economic base of the community after the shutdown.

Each group affected by a plant closing has at hand a repertoire of responses. Which responses are selected by any one group depends in part upon the choices of the other groups. The responses settled upon by the different groups and their interaction determine the nature of the plant-closing experience.

Management Repertoire of Post-Decision Responses

Management may elect to provide the workers and the community with advance notice. Early notice is required by law in some areas, and many states have legislation now pending that would require a substantial payment to be made

if insufficient notice is given. Often management refuses to provide much if any advance warning, lest property damage be done to the facility and its equipment. Management may delay closing to permit certain community actions to take place, or it can stagger layoffs so that the labor market is not flooded with job seekers at any one time. Union collective bargaining agreements often insist that management provide transfer rights, and in some cases management is willing to give active help with transfer. For workers who do not transfer, management can offer placement assistance. Severance pay, which may or may not be required by contract, may have various conditions attached to it. Post-closing negotiations with labor and the community will be smoother if management elects to participate in the transition from full production to closing. Management can also inform the community about plans for the facility and can solicit help with the sale of the plant.

Labor Post-Decision Responses

The unions affected by a closing can respond in a variety of ways, depending often upon management's post-decision actions. Responses to management can range from strike activity at one end of the spectrum to a position where virtually no contact with management is maintained. Often at a mid-point in this spectrum, *ad hoc* bargaining is tried. Going over management's head by invoking political power is a response occasionally found, but recourse to political initiatives is usually considered a strategy by a union rather than a tactic by a local. In addition to seeking all possible benefits for members, unions respond externally with strenuous efforts to build coalitions.

Community Post-Decision Responses

A community faced with an imminent plant closing has available to it a wide range of activities that can minimize the

impact of the closing upon the economic and social well-being of community members. While one group or another—the mayor's office or local social service agencies, for example—can accomplish limited objectives, comprehensive actions can be taken effectively only by a well-organized, carefully coordinated effort involving representatives from many sectors of the community.

Fundamentally, there are only five areas in which responses can be made by a community. The first priority is commonly an attempt to prevent the closing or, in the event that the shutdown is inevitable, to vary the conditions and timing of the closing in order to minimize its impact. Community assistance here is peripheral, although cities and counties are occasionally eligible for certain kinds of federal assistance that may be of help to the workers. The second important community response is directed to reemployment of laid-off workers. Community leaders and agencies can often cooperate with other local groups to provide job referral services or can work with local employers to this end. Third, training and training-related assistance are areas in which communities often take an active role and inventories may be made of local training institutions. Fourth, information about present and future labor needs may be gathered and matched with the abilities of the displaced workforce. Funds for such efforts can be acquired from several federal sources. Finally, the assembling of such labor market information often becomes the basis for a continuing effort to monitor the local economy in order to maintain the stability of local employers and to rebuild and develop the economic base of the community.

Individual Post-Decision Responses

In theory, a whole range of responses is available to those individuals who are thrown out of work by a plant shutdown. Depending upon personal characteristics, the actions

of other workers, and the state of the labor market, however, the unemployed worker may in fact have a limited range of options. At one extreme, the worker may immediately become reemployed at a similar job or, at the other extreme, may enter upon a period of prolonged and/or recurrent unemployment. Intermediate responses include retraining, relocation, temporary employment, or the development of a new strategy to maintain family income. In some cases responses include retirement or early retirement. Economic deprivation is associated with prolonged and recurrent joblessness, and a wide range of physical and mental health problems may be the outcome of the plant shutdown.

For those workers more seriously affected, response to the closing can be seen as a process, beginning perhaps with denial of the fact of the closing and continuing with vain hopes of a reopening of the facility and a recall to the old job. There is some evidence to suggest that many workers react passively after this initial phase and begin seriously to look for a job only after benefits have been exhausted, a time when the labor market is apt to be at its least receptive. Continued unemployment or, perhaps even worse, intermittent employment marked by the acceptance of jobs at lower pay and lower status may ultimately leave these workers at risk for mental and physical illness.

Government Post-Decision Responses

The plant shutdown is a classic situation in which income security, a major goal in American society, is no longer provided by private enterprise; the government response is a patchwork of income supports. When plant shutdowns are particularly threatening to localities already suffering high rates of unemployment, the federal government accepts residual responsibility on an *ad hoc* basis for assisting communities with special grants and for dispersing certain sorts

of income assistance accompanied by retraining and relocation assistance. Attempts to pass legislation on the federal level to prevent or delay plant shutdowns or to levy fines for late notification have not been successful. To some degree, federal funds provide income for families with no means of support after unemployment benefits have been exhausted. Both state and federal agencies support a certain amount of intervention as well as research directed toward determining the most advantageous deployment of intervention funds. There has been no continuity of effort in this area, mostly because the negative effects of economic dislocation were, until recently, considered minor in comparison to the benefits associated with economic change.

This inventory of concerns and post-decision responses to plant shutdown sets out the limits within which intervention may be designed to minimize the impact of plant closings upon individuals and communities. That these concerns, responses, and potential interventions exist should not imply that informed and active programs are commonly initiated or that even those that are undertaken are documented and analyzed. Still less should there be any implication that the literature suggests the costs of economic dislocation should be borne by any parties other than the affected individuals and the local communities, supported in part by some federal assistance. But it is now generally recognized in the policies, programs, and literature since 1963 that considerable costs are associated with plant closings, and accordingly attempts will be made to spread these costs across society.

Most responses of the groups concerned in a plant closing are rational ones when considered in the light of each group's special concerns. Some responses, like the call of a strike by a union, are only marginally helpful, while others (the rapid and early formation of a community coordinating council, for instance) serve the purposes of several groups

well. It is important to note, however, that the concerns and the responses of any one group may conflict with those of another group or may simply not seem worthwhile. What this indicates, in addition to the usual adversary process at work between management and labor, is a fundamental disagreement about the relations between these groups and their place in the larger economy.

Inevitable conflicts accompany industrial relocation, and nearly every plant-closing study will resound with one or another of them. For example, while arrangements are necessary to provide an acceptable level of subsistence during the adjustment period, it is equally necessary to motivate workers to seek employment and return to work as rapidly as possible. These goals are sometimes contradictory. Moreover, it is equally difficult to balance the competing claims of management to the rights to which it is entitled and of social responsibilities toward workers and communities which management is sometimes expected to assume. The problem lies in the belief that intervention in other than a superficial ameliorative fashion would inhibit the operation of a free capital market.

These conflicts surface frequently in debates about specific policy suggestions. For example, requiring advance notice of plant closings may be supported by individuals and community groups on the grounds that their joint interests, such as rapid reemployment, retraining, relocation, or employee-community attempts to purchase the plant, can thus be dealt with more expeditiously. Management, on the other hand, may object to providing any substantial period of advance notice on the grounds that productivity might drop before closing or damage be done to the physical plant and equipment. Yet a more profound disagreement may underlie this dispute. Advance notice may be perceived by community, unions and individuals as indicating that the closing decision could yet be reversed, while management

may feel that both the decision and the timing of its announcements are rights inherent in ownership. On another level, those favoring advance notice may argue that it acts as a brake on industrial movement and support this as a favorable outcome, while those who oppose it may also see it as a brake on industrial mobility but as therefore destructive to the functioning of the capital market.

This study will follow the plant-closing experience chronologically. First it will explore the international, national, and individual environments in which the plant-closing decision is made. Then the post-decision experience will be analyzed in terms of the responses discussed above. Specific issues will receive attention. Severance pay, for example, is part of the industrial context in which the decision is made; it is also both a management and a union response to the plant-closing decision, and it has an impact upon the individual and the community alike. Throughout, the concerns and responses of the major actors—management, labor, individuals, communities and government—will be shown as interacting, sometimes in conflict and sometimes in cooperation, to result in that complicated phenomenon, a plant closing.

Chapter 2
Economic Contexts and Management Decisions in Industrial Relocation and Plant Closing

Reasons for Industrial Relocation

The relocation of industrial facilities and the permanent closing of plants are characteristic features of the American industrial scene. There have been many reasons for relocation. For example, the movement of the textile industry from New England to the South before and during World War II is usually thought to have been impelled by the search for nonunion labor. Historically, management has sought to reduce costs in order to maximize profits, and numerous factors other than cheaper labor can contribute to that end. Transportation costs, incurred in the acquisition of raw materials and the marketing of finished products, have become an increasingly important determinant of plant location in the face of energy shortages and increased energy costs. Shifts in demand or changes in production patterns may bring about the closing of a facility or its reduction in size. Changes in consumer preference are rapidly translated into shifts in the labor market. Technological change, ranging from the limited introduction of new machinery or new

systems of management to the transformation of an entire production process, often means industrial dislocation.

Very seldom are all the factors involved in a specific decision to close a plant or move an industrial facility known outside the managerial cadre in which the decision is made. The objective of management is to improve the company's competitive position and, since some factors clearly are conducive to that improvement while others are not, it can be inferred which factors are involved in a given decision. But it is often impossible to know how much weight was assigned to each element. Plant-closing research has tended to focus on events that occurred after the closing decision, so that the literature on dislocation neither emphasizes the decision-making process not analyzes the reasons for it.

The 27 plant-closing cases covered by the 20 studies analyzed in this report reveal a wide range of reasons given for closings; in a number of cases, no reasons whatsoever were given. For two major automobile company closings—Studebaker and Packard—the cause was clearly the failure of the firm. At least three closings were related to shifts in product demand or demand reduced by competition. Technological change was implicated in six studies that dealt with the meat-packing industry in the period of the Automation Fund's work.[1] In two of those cases, consolidation combined with technological change to cause the closings. In the Mack case, technological change was also a factor, as was the recognition that an outmoded wage structure could be replaced by one more advantageous to management in another location. Reasons cited in other closings included

1. In the late 1950s and early 1960s, fears that automation would cause large-scale unemployment in areas ill-prepared to deal with the consequences of joblessness were widespread. A tripartite committee was developed including management, labor and government representatives to assess the problems, to devise solutions and to monitor the resulting programs. While the apprehension was premature and the results were mixed, the Automation Fund remains a model mechanism for creating a climate in which programs can be developed.

proximity to markets, union discipline, inability to meet mandated pollution standards, and the takeover of the facility by another enterprise. While this spectrum of causes was given for 17 closings, ten of the closings studied cited no reasons at all. Considering that studies associated with the Automation Fund form the core of plant-closing research during the 1960s, it is probably fair to say that a random sample of plant closings might show that few managements ever make public their reasons for closing. Even in this array of studies, enriched as they are by Automation Fund program evaluations, 37 percent of the plants studied gave the researchers no reasons for closing. The absence of information tends to mask the differences among closings. A failure is a very different matter from a situation where consolidation of three facilities into two, for example, is perceived to be the optimal management strategy.

Some of the elements in plant-closing decisions can be identified only by going beyond the standard plant-closing literature, such as the case studies below. Other literature, while scarce, can still be divided into three categories: international economics; the individual location decisions; and the prevailing labor-management climate. These categories are only general guides to the primary emphases of the studies. The fact that investment flows away from the older industrial areas of the United States into less industrialized centers in this country or abroad is closely related to the local labor-management climate and to the developmental stage of the establishment concerned.

International Economic Context: Capital, Production and Technology Transfer

Various approaches can be discerned in the "flow of investment" literature: the transfer of capital; the transfer of production; the transfer of technology; and the displacement

cost of foreign competition. The recent Bluestone and Harrison study, *Capital and Communities,*[2] views the shift of capital from the older industrial areas of the United States as less striking than the shift of investment by American conglomerates to enterprises abroad. From this perspective, the highly visible plant closing is the final phase of the disintegration of a facility from which capital has been withheld by a conglomerate, or as Bluestone and Harrison phrase it, "a corporation exhibiting conglomerate behavior." The capital no longer invested in obsolete facilities is being invested in American branches of foreign companies or in foreign enterprises. Such large-scale enterprises may also display a pattern of facility coexistence, where a newer plant or operation outside the older industrial areas continues operation while another facility in the older area declines gradually. In contrast, smaller companies display what Bluestone and Harrison call a "sequential pattern," as an old facility is shut down and a new one opened. In addition to linking American investment abroad to plant closings in the Northeast and Midwest, Bluestone and Harrison also point to the findings of David Birch, who maintained that "the rate at which large established manufacturing establishments have shut down was actually higher in the South than in any other part of the country."[3] A case in point is the textile industry. While the initial shift in textile manufacturing from New England to the South was spread over several decades, the later shift, mostly from the South to overseas, has taken place much more rapidly.

While some objections can be raised about the interpretation of data presented by Bluestone and Harrison, the investment shifts that they identify undoubtedly have had enor-

2. Barry Bluestone and Bennett Harrison, *Capital and Communities: The Causes and Consequences of Private Disinvestment* (Washington, DC: Progressive Alliance, 1980), pp. 19-61.

3. David Birch, *The Job Generation Process* (Cambridge: The M.I.T. Program on Neighborhood and Regional Change, 1979), pp. 7-9.

mous impact on plant closings. Their work also draws attention to a critical point in the decision-making process; the actual ownership of the business in question. Small independent businesses are more vulnerable to the business cycle and may fail more frequently than large corporations. The closing of a branch plant is often part of a corporate strategy to improve profits or to eliminate subprofitable plants.

Other research that addresses the problems encountered by American business in international economic change is found in *The Impact of International Trade and Investment on Employment,* proceedings of a 1976 conference published in 1978.[4] A major article by Robert H. Frank and Richard T. Freeman, in which a 1970 input-output table was used, estimates the indirect manufacturing job loss due to multinational overseas investment as some 105,000 jobs.[5] Indeed this micro- and macroeconomic analysis was used extensively by Bluestone and Harrison. Frank and Freeman note:

> In all cases, direct foreign investment produces a decline in both the real wage and the share of national income going to labor. . . . Even by relative conservative estimates, however, the wage income is reduced by more than 3 percent.[6]

Frank and Freeman assume that the original motive for direct foreign investment was to procure a higher return on capital, and in fact their analysis demonstrates that the income accruing to capital is significantly increased by foreign investment. Frank and Freeman present their findings cautiously, since they and their discussants note that a

4. William G. Dewald, ed., *The Impact of International Trade and Investment on Employment* (Washington, DC: Bureau of International Labor Affairs, U.S. Department of Labor, 1978).

5. Robert H. Frank and Richard T. Freeman, "The Distributional Consequences of Direct Foreign Investment," in William G. Dewald, *op. cit.,* pp. 153-170.

6. *Ibid.,* p. 164.

satisfactory model for the distributional consequences of direct foreign investment has not yet been developed. Moreover their calculations show that in 1970 indirect unemployment associated with overseas transfer of production activities lasted between four and eight weeks. It is clear that the acceleration of overseas investment when added to other factors make 1970 and 1980 years in which widely different situations obtained.

Technology is another factor only recently receiving attention for its role in the impact of international trade and investment on domestic employment and plant closings. What is meant here, however, is not robotization or other automated equipment to replace human labor, but the transfer of technology. Jack Baranson reported at the same conference that several levels of concern have been expressed about the release of proprietary technology.[7] While refusal to release technology may safeguard American industry, multinational corporations can minimize losses in income, trade, and employment at home by judicious licensing and investment in foreign facilities. To ignore this opportunity may close those markets completely to American suppliers. Giving foreign enterprises access to American technological advances assumes that the United States holds a significant lead in these areas, that investments will continue to be made in research and development to maintain and lengthen the lead, and that there is little anticipation of competitive threats from newly industrializing countries. On the other hand, arguments have been made that American firms have contributed to the deterioration of the trade balance of America and to the loss of its technical leadership by the licensing of technology to foreign manufacturers. Baranson analyzes technology transfer in relation to 25 case studies in five industries—aircraft, automotive, computers, consumer

7. Jack Baranson, "Technology Transfer: Effects on U.S. Competitiveness and Employment," in William G. Dewald, *op. cit.*, pp. 177-203.

electronics, and chemical engineering—and stresses that American industry owes some of the difficulties under which it is now laboring to a lack of available domestic investment capital.

While Baranson acknowledges that his case studies may not adequately emphasize the short-run benefits to the U.S. economy of technology transfer, he concludes that such transfer to noncontrolled foreign enterprises may:

(1) cause erosion of job opportunities in key American industries; and
(2) weaken the competitive position of United States suppliers of technology over the long term. Such effects are particularly significant:
(a) under adverse domestic economic conditions (low growth rate, high unemployment, inflation, declining productivity, balance of payment difficulties); (b) in the absence of substantial improvement in labor market adjustment mechanisms (to relocate and retrain displaced production workers); and (c) in an economy where technologically dynamic industries (or services) are not expanding at a rate sufficient to absorb labor displacement from declining industrial sectors.[8]

While realizing that prohibition of technology transfer would be counterproductive, Baranson finds it essential to view such transfers in terms of their domestic economic impact and argues for an early warning system of adverse economic impact so that a smooth adjustment can be made.

Still another major element of the international economic context is the effect upon employment and earnings caused by increased sales in the United States of foreign goods. While it has been generally agreed that the American

8. *Ibid.*, p. 206.

economy benefits from relatively unrestricted trade, quotas and tariffs have become a particularly delicate political issue as more and more American industries encounter stiff competition from foreign makers and resulting job displacement occurs.

Louis S. Jacobson's article in the conference proceedings deals with earning losses of workers who have been displaced from manufacturing industries, drawing in part upon data specific to the 1960s, for example the steel industry in Pennsylvania from 1962 to 1965 (report completed 1976).[9] Using the Social Security system's Longitudinal Employee-Employer Data (LEED) file to examine both earning loss and number and characteristics of displaced workers, Jacobson studied 11 industries: petroleum refining, aerospace, electronic components, television receivers, steel, autos, meat packing, toys, women's clothing, shoes, and cotton weaving. Some of these industries display high average earnings as well as a relatively stable work force. Fundamentally, the study measured the earnings of workers permanently let go during an employment reduction and compared them with the earnings of those not so displaced during the cutback. Since the sample was chosen to provide national representation, the study provides a comparison of workers unemployed after a plant shutdown with workers sharing similar demographics in the same industry who were not involved in a shutdown. Similar comparisons were made for those caught in a large contraction resulting in permanent layoff and those not laid off. The differences were substantial. In the case of steel workers, the difference amounted to about $17,000 (in 1964 dollars) over the affected workers' lifetimes.

While transfers of capital, production and technology abroad, currently contributing to permanent workforce

9. Louis S. Jacobson, "Earning Losses of Workers Displaced from Manufacturing Industries," in William G. Dewald, *op. cit.*, pp. 87-98.

reductions and plant closings, are relatively recent, the harmful effects of foreign competition upon domestic manufacturers have been felt for at least two decades. Foreign competition was not cited as a reason for closing in any of the studies reviewed here, yet it could clearly play a major role, directly or indirectly, in decisions to relocate domestically. Baranson argues that technology transfer often occurs because venture capital is more readily available abroad than at home, while Bluestone and Harrison and Frank and Freeman would point to increased levels of American investment abroad productive of high return on capital. The incentive provided by cheaper labor in areas outside the Northeast or Midwest, as well as increased competition, would promote a larger capital investment in the form of new technologies and new plants to house them. Expanding production and production facilities that take advantage of economies of scale become more important during periods of heightened competition. Consequently, international economic conditions influence relocation decisions made within the United States.

National Economic Context: The Location Decisions of Firms

The plant-closing decision, as Roger Schmenner points out,[10] often rests on the search for the least expensive site, and an ill-advised decision can be as disastrous for the company in the long term as it is in the short term for displaced workers and the community. Commonly the search for a new site, plans for relocation, and the final closing of the old plant are undertaken because of the needs of the company for, or because a change in production techniques requires, a new facility. Therefore, a closing because of relocation is most apt to occur when the company is thriving or when new

10. Roger W. Schmenner, "Look Beyond the Obvious in Plant Location," *Harvard Business Review*, January 1979, pp. 126-132.

technology adopted in a timely and orderly fashion promises continued and increased profits. Schmenner's study involved interviews with 30 companies and surveys of over 1,000 facilities; more than 200 had recently relocated and about 150 were new plants. The evidence indicates that, despite the common perception that plants are moving and closing constantly, only about one-third of the moves contemplated are finally undertaken. Actual relocation occurs (or did occur through 1978) at a rate of only 3 percent per year in manufacturing establishments of all sizes, and less than 1 percent per year in plants employing more than 100 employees.

Schmenner's data also indicate that larger companies tend to establish new branch plants; undoubtedly some of them are the "parallel facilities" identified by Bluestone and Harrison.[11] Each year between 3 and 6 percent of the existing stock of plants is added as branch plants.

There are five identifiable strategies for plant locations. In a *product plant strategy,* a facility concentrates on a product or a narrow range of products. This offers a simplicity and an economy of scale not obtainable in a multiproduct facility, but such facilities often find themselves in difficulty if they continue to expand. A *market area plant strategy* responds to consumer needs and minimizes transportation costs. Some corporations are so large that they can utilize both strategies, developing *product and market area-specific* manufacturing facilities, generally in industries that make products that are consumed everywhere. Some large corporations use either market area or product strategies, depending upon the subsidiary involved. Yet a fourth strategy, one commonly associated with complex industries, is the *process strategy,* used where individual facilities make one or another component of a finished product and are

11. Bluestone and Harrison, *op. cit.,* p. 27.

therefore a kind of supplier or feeder plant. Finally, the *general purposes strategy,* usually associated with defense contractors, demands a high degree of flexibility in the change of product demands, plant configuration and employee assignment.

The availability of cheaper land, lower tax rates, better or cheaper materials, and lower wages often provides incentive for the corporate decision to move South, to Mexico or Latin America, or to the Far East, but the contribution of these new benefits to the corporate balance sheet must be compared with the possible costs associated with diverging, if that is required by the move, from the current plant location strategy. Moving a process plant too far from other plants within the same production system, despite savings from low wages in the new site, may prove costly in transporting the products of that process to the final completion site.

Finally, Schmenner points out that plant relocations are difficult for management and, according to his data, will be avoided if at all possible. In respect to plant closings or relocations, he has found that:

> Overwhelmingly, it is the small, growing plants, often independent of particular suppliers, markets or labor sources, and pressed for more production space, that move to larger, more modern quarters, and in the process alter their production technology, sometimes in fundamental ways. The vast majority of relocations are over short distances (less than 20 miles) which helps ensure continuity of labor force and retention of customer and supplier contacts. To a lesser degree, relocations also occur to consolidate two or more plants into a new single facility and to escape from high site costs (wages, land values, taxes).

> It is the plants whose profits are hurting the most that see relocation chiefly as a means of lowering costs. These plants are also the ones most likely to move distances of greater than 20 miles in search of these lower costs.[12]

It is important to note the decision to close a plant in order to move to a new facility or to consolidate production is seldom made lightly or in haste. It is the last in a stream of decisions.

Plant-Closing Decisions and the Labor-Management Climate

The labor-management climate is a major factor in the decision to close or move a plant. One codification of this employment relationship may be found in the collective bargaining agreement in force at the time of the decision. At this point, two kinds of provisions become important both to the decision-making process and to the affected workers: those designed specifically for the shutdown situation and those designed for other eventualities which can be adapted to the problems associated with a closing.

As Stephen Mick notes:

> Analysis of data compiled by the Bureau of Labor Statistics on 1,823 contracts applying to collective bargaining units with at least 100 employees shows that most contracts contain very few provisions related to plant shutdowns and movement. In descending order of percentage of specific contract provisions related to plant shutdowns are interplant transfer to another plant or company (32.1 percent), severance or layoff pay (29.6 percent), relocation allowances (11.1 percent), transfer of all

12. Schmenner, *op. cit.*, p. 129.

> or partial seniority (9.9 percent), income maintenance (5.1 percent), advanced notice of move (3.7 percent), union notification or participation in management decisions to move plants (3.3 percent).[13]

Mick also points out that less than one-fourth of organized labor seems to be covered by such provisions. Since less than one-fourth of the American labor force is organized, it is likely that the provisions apply to only about 6 or 7 percent of the workforce. Because all the studies analyzed in this report are concerned with plants having union representation, many of them in major unions, such provisions are important here.

Other provisions, not originally designed for post-shutdown adjustment, can be applied: supplemental unemployment benefits (SUB), individual account security plans, and regular or early retirement. SUB, now a major feature of many collective bargaining agreements, were designed to help smooth out income in industries where seasonal and short term layoffs were common. Today SUB no longer retain their purity of purpose and have come to be used for a variety of purposes including severance pay, health insurance during layoffs, relocation allowances, and even supplementary pay for workers transferred to lower-rated jobs. Both SUB and individual account security plans often are transformed into severance payments if the necessary funds do in fact exist at the time of closing.

Provisions designed for the shutdown situation are undoubtedly considered in the decision-making process. Management can influence how union members participate in job security provisions by the timing and style of the

13. Stephen S. Mick, "Social and Personal Costs of Plant Shutdowns," *Industrial Relations*, Vol. 14, No. 2, May 1975, p. 205.

plant-closing announcement. The Mack case[14] is an example in which interplant transfer was an option available to workers whom the company did not wish to retain. Management made a series of announcements regarding the implementation of the transfer provision in a manner which deterred those workers from taking the transfer option. In contrast, workers in Lipsky's study[15] were encouraged to accept the interplant transfer option by the timing and style of management's announcements. However, the fact that the way the decision is made and announced can have a substantial effect upon the participation rate in interplant transfer programs is not direct evidence that the presence and conditions of such transfer rights have a direct effect upon the shutdown decision itself.

Severance payments, a form of compensation for permanent job loss after protracted employment, is a collective bargaining provision particularly sought by unions whose workers are threatened by continuing technological change. Audrey Freedman quotes a letter from Joseph A. Beirne, President of the Communications Workers of America, in 1956:

> However, because of intensive and extensive mechanization constantly taking place and resulting layoffs, we have carefully negotiated, over the years, a well-defined system of termination benefits. . . .[16]

Mick's analysis of over 1,800 collective bargaining agreements indicates that about 30 percent included some form of severance payment. The studies we reviewed in this

14. J.W. Dorsey, "The Mack Case: A Study in Unemployment," in *Studies in the Economics of Income Maintenance* (Washington: The Brookings Institution, 1967).

15. David B. Lipsky, "Interplant Transfer and Terminated Workers: A Case Study," *Industrial and Labor Relations Review*, Vol. 23, No. 2, January 1970, pp. 191-206.

16. Audrey Freedman, *Security Bargains Reconsidered: SUB, Severance Pay, and Guaranteed Work*, Report 736, The Conference Board, 1978.

report do not always emphasize all points of interest in plant closings. Only four studies mention collectively bargained severance payments, while twelve studies show that such benefits were available, whether specifically noted as bargained or not, although it is more than likely that all such provisions were bargained. Eight studies record that workers participated in this benefit, most of them receiving payments between $1,500 and $2,000.

Severance payments have usually been designed for precisely those situations to which the Communications Workers were responding: permanent layoffs of individuals rather than plant closings. So, despite the rather low levels of payments, the presence of a severance payment clause can help to postpone or even prevent a plant shutdown. If a plant is closed as a result of serious financial difficulties and it is a single facility, severance payments may simply not be forthcoming or may be much reduced because of the financial condition of the company. As Freedman shows, a company that closes a facility of 500 employees, averaging $5.60 an hour with an average seniority of nine years, and that has a relatively standard format for distributing modest severance payments may actually have a liability for about $1 million for those payments. More commonly, the wage rate is higher, the seniority is longer, the severance payment more generous and the liability larger. Clearly the liability involved in a severance payment, a type of plan that is almost always unfunded, can have a major effect on the decision to close a plant. An attractive option for management would be the immediate sale of the facility to a buyer who would rehire the workforce. Indeed the attractiveness of employee buyouts may be related to the liability represented by severance payments. Nevertheless, there is no evidence of the precise role that a severance payment provision plays in the decision to close a plant.

Other types of provisions described by Mick include relocation allowances and transfer of all or partial seniority. These are associated with interplant transfer rights and reinforce the attractiveness of that option for workers. Once again, as the contrast mentioned above between the Mack case discussed by Dorsey and the General Foods case analyzed by Lipsky shows, such considerations must bear on the decision-making process and may alter the manner of the decision. Still other provisions, such as some form of income maintenance and union notification or participation in management decisions, would undoubtedly influence the decision, although no studies (with the possible exception of Stern) have addressed that point except tangentially.[17] Advance notification of closing, if required by union contract, is normally accompanied by other provisions such as the right to interplant transfer.

Influencing the Decision to Relocate

At least two major groups involved in a plant-closing have a substantial interest in influencing the decision—the workers and the local community—for both have a great deal at stake. The struggle over advance notification resounds less with concerns about timing and its impact on adjustment costs than with the possibility of reversing the decision. Obviously those groups who hope to influence the decision must know that such a decision is under consideration. While there is no exhaustive list of management actions to enlighten a concerned group about impending closure, Julius Majoros[18] provides valuable insights into some of the steps

17. James L. Stern, "The Consequences of Plant Closure," *Journal of Human Resources*, Winter 1972, pp. 25-31.

18. Julius Majoros, "Early Warning Signs of a Plant Closing: One Worker's Views," in *Industrial Exodus*, Edward Kelly, ed. (Washington: The Ohio Public Interest Campaign, 1978).

taken by management prior to closure that may furnish a clue.

1) Company may make changes in key personnel in the higher echelons of the plant. Younger workers may be moved to company headquarters and replaced with men near retirement.
2) Discipline is relaxed.
3) Maintenance policy can become of the patchwork variety.
4) Maintenance personnel may not be replaced.
5) Rumors of an impending shutdown may increase.
6) Company may be slow in announcing a negotiating team for normal contract talks.
7) Non-hurry-up policy during negotiations may be adopted.

It is not clear what actions by workers or the local community might conceivably alter the decision. Theoretically, labor subsidy or capital subsidy could reduce the costs of remaining at the original site and expanding it to the point at which other options become less attractive. Although labor subsidies have not yet been documented in the literature, the wage concessions made by Chrysler workers are a form of labor subsidy, applied here to a situation far more serious than a threatened plant closing or relocation. Recent research at a Michigan manufacturing facility includes consideration of the entire closing negotiation process. In the end, the local union bargaining team offered to accept a considerably reduced wage level as an incentive for the plant to remain.[19] But, the management decision was to consolidate operations in another state, despite the fact that the wage bill proposed by the Michigan facility was much lower than the wage bill at the relocation facility. In general, labor subsidies are not a common form of incentive.

19. Transcript of February 18, 1981, interview with Bargaining Committee, AP Parts, Grand Haven, Michigan, by Sean P. McAlinden.

Capital subsidies, on the other hand, which have been available through a series of federal programs mounted in association with urban areas, primarily the Urban Development Action Grant Program (UDAG), may have some impact on location decisions. If, for example, UDAG assistance with land clearance and infrastructure was made available, capital subsidy might be an appropriate mechanism for the local community to use in coordination with the federal government in order to influence a relocation decision.[20] Further, since Schmenner has found that firms prefer on-site expansion,[21] capital subsidies for such expansion in urban areas might well have helped central cities by providing incentives for new construction at lower costs. Since the future of UDAG is uncertain, no assessment of its potential for altering or influencing a relocation decision can be made.

Another strategy, that of local tax subsidies, is in the hands of the local communities and may appear at first sight to be an effective method of influencing a relocation decision. However, Harrison and Kanter have found that local tax subsidies have little influence on the location of firms, except perhaps in the case of small businesses.[22] Their work indicates that large scale, technologically oriented firms are not sensitive to local tax subsidies and that tax abatements (given either together with or without other federal grants) are questionable in any case. They do not significantly affect a relocation decision, yet they rob the local municipality of badly needed funds. But it is quite possible that capital subsidies could promote more rapid change to new technologies

20. Susan S. Jacobs and Elizabeth A. Roistacher, "The Urban Impact of HUD's Urban Development Action Grant Program or, Where's the Action in Action Grants," in N.J. Glickman, ed., *The Urban Impacts of Federal Policies* (Baltimore: The John Hopkins University Press, 1980), pp. 335-362.

21. Schmenner, *op. cit.*.

22. Bennett Harrison and Sandra Kanter, "The Political Economy of States Job Creation Business Incentive," *AIP Journal*, October 1978, p. 23 ff.

within firms that are, in contrast to present technologies, capital- rather than labor-intensive.

Summary

Business failure, the search for cheaper land taxes and labor, the introduction of new technology, changes in market, products and processes all continue to play important roles in a management decision to close or relocate a manufacturing facility.

As the American economy becomes increasingly integrated into a developing world economy, the contexts in which relocation decisions are made are accordingly expanded. Substantial transfer of capital, the production process, and the impact of technology upon management now loom larger than could have been imagined when most of the plant-closing research reviewed in this study was done. Foreign competition made for significant reductions of the workforce and an increase in plant closings more than 15 years ago, and that trend has not only continued but has increased markedly. But it is important that a relocation decision conform with the firm's location strategy, since even the most attractive wage bill cannot compensate for increased costs associated with an ill-designed plant location.

Early notification about moving a plant, whether required by law or by a collective bargaining agreement, or inferred from warning signs at the threatened facility, provides an opportunity for a possible reversal of the decision. The scant literature indicates that capital subsidies may be able to alter some decisions, but that tax subsidies are seldom successful and are at the same time very costly to local economies. Finally, while considerable attention has been paid to legislative initiatives requiring early notification and some combination of other provisions favoring a more equitable distribution of the costs associated with closing, no legisla-

tion has been enacted except in Maine and Wisconsin, and the Wisconsin legislation has yet to be implemented. Few collective bargaining agreements contain an early notification provision, and fewer still require any consultation during the decision-making process. Finally it is instructive to note that, despite the complexities associated with capital shift and technology transfers, when plants are opened in new locations they are less likely to be unionized than their sister facilities. The decision to close or relocate a manufacturing facility is a private decision based on economic efficiency. The responses to the decision are generally attempts to reduce the social and public costs of these private decisions and to introduce some social equity.

Chapter 3
Responses to Plant Shutdowns and Relocations

While the decision to shut down a plant or to relocate is a unilateral one, it creates a situation to which several groups must respond. Management, unions, social service agencies and local community leaders all have available to them a wide range of options for dealing with shutdown problems, some of which can help to reduce the accompanying social and psychological difficulties and minimize the economic costs involved.

Assumptions, Perceptions, and Roles in Plant-Closing Responses

Each group that responds to a specific plant shutdown or to the prospect of one tends to respond in a generalized manner, based upon assumptions concerning its rights and obligations and on perceptions as to the appropriate, permissible, or feasible point of intervention.

Management maintains that capital mobility is essential to the survival of certain enterprises and that efforts to restrict mobility and to intervene in the decision-making process are inappropriate. Management has the right to make its own decision and publicize it at its own discretion. Accordingly, it is difficult to predict what steps management will take, although the most benevolent managements will probably

take only those steps that will both safeguard corporate interests and ensure an orderly transition for workers and communities.

The unions have, at least theoretically, the option of negotiating during each contract round for shutdown provisions. They may attempt to secure access to the decision-making process, although these attempts have so far proved unsuccessful. Union officials also assume that management has, in most cases, the right to a closing decision, and are apt to concentrate upon a favorable closing process, including early notice, employment continuity, income maintenance, adjustment assistance, and pension protection. The union response may be seen as an ongoing response to the closure threat and the appropriate intervention point may be seen as the immediate post-decision period.

Communities have traditionally responded to plant closings well after the fact. The initial post-decision period is usually filled with discussion and concern with various attempts to determine what can be done with the resources available. Generally, the appropriate, permissible, and feasible time for communities to intervene is after the decision has been made. Intervention focuses on worker and community adjustment assistance and occasionally on attempts to develop or enhance already existing forms of economic development. Once again, it is assumed that the decision is the province of management and that the communities are constrained to adopt reactive roles.

If the assumption of all the actors affected by a plant closing is that management has the initiative and other groups can respond only after the fact, post-decision intervention is obviously the only appropriate reaction. Since the interests of the reactive groups can best be served just after the decision and before the closing, pressure has often been brought to bear to move the time of disclosure as close as possible to

the time of decision. This pressure from unions and from community agencies and groups has not usually had a decisive impact.

Legislative initiatives constitute yet another group of activities that aim to facilitate community and worker adjustment through early notification, provisions for continuity of employment, maintenance of income, and the offering of services that will make for a smooth transition and rapid reemployment. Legislative initiatives stem in part from a rejection of the argument for capital mobility, and so they attempt to constrain unilateral investment and disinvestment decisions on the part of management, as well as its traditional privilege of convenient, and often late, notification. It is in this context that new efforts to provide subsidies and technical assistance for community-employee buyouts have surfaced. While numerous members of this broad coalition will continue to accord management the prerogative of closure decision, there is a strong movement to restrain management's modes of disinvestment and the timing of disclosure.

It will become clear below that new responses to plant closings have appeared only recently. Few new responses have been studied, thus few evaluations are available. For example, the traditional plant-closing literature reviewed here contains no information about management-sponsored private sector employability development programs, and little research on the intervention efforts of public interest groups or on employee buyouts. Consequently, while a central focus of this chapter is the standard plant-closing research literature, emphasis will also be placed on other analytical and descriptive, and even legislative, literature.

Management Response to Plant Closings

Once the decision has been made to close or relocate, the policies chosen by management can either facilitate or hinder

the successful adaptation of employees and communities. Two major studies, Portis and Suys[1] and Shultz and Weber,[2] emphasize the importance of early notice as a necessary ingredient of any successful attempt to reduce the negative impact of the closure. In certain situations, it is argued, such advance notice is crucial. In plants where the educational level of the workforce is low, workers will be at a considerable disadvantage in the labor market. Consequently, extensive retraining is necessary to prepare these displaced workers to compete. Advance notice provides time for such training to take place. Where jobs are not easily available or where openings are clustered in certain occupational areas that require previous training, advance notice provides time to assess the current labor market, to mount counseling programs (within the plant to be closed and elsewhere) so that workers can find the most advantageous training and enter these programs. Portis and Suys[3] indicate that advance notice provides workers with an opportunity to search for a job while still employed, with the obvious benefits of additional time for the search. Advance notice permits unions to take an early and active role in advising their members on the options available to them, minimizing confusion and hardship.

Management can also play an important role in cooperative efforts by unions and communities to enhance the effectiveness of assistance programs offered to displaced workers. The most significant analysis of a positive effort by management is the study of the Omaha plant closing by James L. Stern.[4] An advance notice provision had been a

1. Bernard Portis and Michael Suys, *The Effect of Advanced Notice in a Plant Shutdown: A Case Study of the Closing of the Kelvinator Plant in London, Ontario* (London, Ontario: School of Business Administration, The University of Western Ontario, 1970).

2. George P. Shultz and Arnold B. Weber, *Strategies for the Displaced Worker* (New York: Harper and Row, 1969).

3. Portis and Suys, *op. cit.*, p. 27.

4. James L. Stern, "Evolution of Private Manpower Planning in Armour's Plant Closings," *Monthly Labor Review*, December 1969, pp. 21-28.

feature of the collective bargaining agreement between Armour and the Amalgamated Meat Packers since 1961, a provision that had been extended from 90 days to 6 months in 1967. When the plant finally closed, the 6-month period had been extended by 3 months at the request of community leaders. The role assumed by Armour during that period was extremely helpful, and a comprehensive private manpower training program was developed. Not only did Armour provide a company assistance office and permit inplant counseling, but it participated in the training and subsequent placement of former employees and took the initiative in gaining the cooperation of other Omaha businesses who might absorb the displaced workers. Frequently, severance pay schedules are such that workers find them a disincentive to early job search. The Armour plan, in contrast to most management strategies, gave workers who found employment elsewhere or who wished to enroll in federal training programs the opportunity to start their new ventures before the plant closed without the loss of severance pay. But the Armour case is by no means typical. Moreover the generally good outcomes for Armour workers were undoubtedly related to local labor market conditions; unemployment stood at about 3 percent in the Omaha area at the time.

A very different management response and one disadvantageous to the workers can be found in John Dorsey's study of the Mack case.[5] It is plant that the management at Mack did not wish their production workers to transfer to the new facility. The initial announcement was made over a year before the actual closing, and during that time management sought to design a workforce that it wanted to keep at the new facility. Production workers were discouraged from transferring, while supervisory and white-collar employees

5. John W. Dorsey, "The Mack Case: A Study in Unemployment," in *Studies in the Economics of Income Maintenance*, Otto Eckstein, ed., (Washington, DC: Brookings Institution, 1967).

were encouraged to do so. Those who did not transfer had considerable loss of earnings; about 23 percent of the sample were still unemployed 10 months after the closings, despite the advance notice. There is some reason to believe that the length of post-shutdown unemployment is positively associated with the size of the separation payment, although the age of the worker and the size of the separation payment are so closely tied that distinguishing between them is impossible in this study.

The role played by early notice in alleviating problems of workers was also investigated indirectly in several studies. Lipsky's study of General Foods emphasizes transfers and their outcomes, but it indicates that even a drawn-out period of advance notice (here more than two years) did not affect the duration of unemployment because the time was not used effectively by workers for job search.[6] Indeed few sought jobs seriously at all. Foltman[7] noted that white-collar workers take much greater advantage of the advanced notice period for job search than do blue-collar workers; Portis and Suys make the same point.

Management can also elect to provide opportunities for workers to transfer to another plant. A fuller discussion of this strategy, developed through union collective bargaining, is included in a later section. In general, workers who transfer do not seem to undergo the same difficulties as their co-workers who do not transfer. Yet, as the Lipsky study shows, many workers are reluctant to move despite encouragement to transfer. Other studies, including Foltman, emphasize the reluctance of blue-collar workers in particular

6. David B. Lipsky, "Interplant Transfer and Terminated Workers: A Case Study," *Industrial and Labor Relations Review*, January 1970, pp. 32-38.

7. Felician F. Foltman, *White and Blue Collars in a Mill Shutdown* (Ithaca, NY: New York State School of Industrial and Labor Relations, 1968).

to move. Strange[8] and Levinson[9] both, in different ways, emphasize the ties to locality and community that bind workers to areas where job possibilities are not promising.

Returning to the Stern study, it is clear that any one management strategy for reducing the impact of plant closings upon workers is often ineffective. Some combination of early notice, inducements to transfer for those who wish it, company intervention in the local community on behalf of displaced workers, and opportunities for counseling, retraining, and job search must be provided to achieve positive results. Generous severance payments and benefits also seem to be necessary to ease the transition, although these arrangements can actually work to delay labor force reentry for some workers.

For industries undergoing technological change, especially those with relatively favorable labor relations, possibilities exist for creative, inexpensive, and helpful programming. Currently, as *Business Week*[10] reported, efforts are being made by Goodyear to use the services formerly reserved for professional and supervisory personnel to assist permanently displaced rubber workers in two sites. The program has just become active, and data are not available for blue-collar workers, although such assistance has apparently helped white-collar and professional workers. Documentation and analysis of these new outplacement programs, especially in comparison to performance for upper-level workers, will be important in determining which variables are crucial in the reemployment of semi-skilled workers and others who have historically borne the brunt of plant closings.

8. Walter Strange, *Job Loss: A Psychosocial Study of Worker Reactions to a Plant Closing in a Company Town in Southern Appalachia* (Springfield, VA: National Technical Information Service, 1977).

9. David Levinson, "Displaced Pottery Workers' Adjustment to Layoff," in *Weathering Layoff in a Small Community*, BLS Bulletin 1516, 1966.

10. *Business Week*, February 4, 1980, p. 86.

A facility with a hostile labor relations climate, a seriously failing industry, or a small facility with virtually no resources might be unwilling, and in some cases unable to provide assistance to displaced workers. But overall, management policies before, during and after the closing can make a significant difference in the shutdown experience.

Union Response to Plant Closings

The union response to economic dislocation and plant closings is a direct outgrowth of the difficulties inherent in labor's position as a conservative force in industrial change. As indicated earlier, provisions of the bargaining agreement are an important consideration in the decision to close a plant. The decision, therefore, means that whatever payments are specified in the event of shutdown are regarded as acceptable costs to management, or at least as unavoidable losses as in bankruptcy. Management can of course come to the bargaining table aware of the possibility of a closing during the life of the contract, and can therefore make concessions about certain issues in exchange for protection in case of shutdowns. The unions' concern is to be sure that workers do indeed enjoy those benefits secured by bargaining. But if labor is not informed about the possibility of closing, it may not engage in hard bargaining concerning that possibility or concerning the security provisions that might be called for in that eventuality. On the other hand, in those industries where technological change is common and jobs often threatened, job security bargaining is a first priority. Such industries and agreements can be found throughout labor history: in the railroads, the press rooms, and among the communication workers. The great problem is that a union faced with a closing often has a contract that does not address the issue at all. This is apparent in the literature, with the exception of the Automation Fund Committee work.

In the standard literature, the usual closing occurs in a unionized plant. Certain closings are chosen for study because access can be gained to both plants and workers. Unions are usually cooperative, seeing that much can be gained, for the membership at large if not for the affected workers, by such a study. Large unions are particularly attracted to research projects, partly because they support substantial research efforts in similar areas themselves and see researchers as powerful advocates.

All plants in the studies reviewed were unionized (although not all unions are named), and major unions such as the United Automobile Workers, the Textile Workers, the Amalgamated Meat Cutters, and the United Steel Workers predominated. An independent union, the United Automobile Workers (with one exception) either did not have a plant-closing provision in their bargaining agreement, or such a provision was not mentioned, indicating that any provision that existed must have been weak. Five studies indicated special early retirement provisions. Only in those cases in which the Automation Fund Committee was active had provisions been routinely included for early notice, interplant transfer, relocation assistance, and retraining. Attention will be directed in chapters 4 and 5 to the translation of these provisions into post-shutdown benefits. Nevertheless, it is fair to say that collective bargaining has not been successful in providing adjustment assistance to displaced workers.

While organized labor seeks in the collective bargaining process to provide the basis for a proactive position if and when the plant closes, such bargaining is not always successful nor does it always receive high priority in negotiations as compared with other issues. Although most collective bargaining agreements do not contain provisions restricting plant closings, the National Labor Relations Board and the courts have extended to unions the right to such

bargaining in some situations. A case in point is a recent study by the Illinois AFL-CIO Manpower Assistance Program:

> An employer only has to bargain over a relocation *decision* that does not change the basic scope or nature of the business. Such a decision usually will involve a proposal to subcontract part of a plant's operation, or relocate operations to other plants producing the same products with similar equipment. In some cases, unions have argued that although specific provisions that prohibit an employer from moving are not contained in the contract, an implied prohibition exists based on the substance of other related clauses in the contract.
>
> [The National Labor Relations Act] requires the employer to bargain over the *effects* of a planned move or shutdown, even if no specific clause in the contract has anticipated this situation. The employer must negotiate, should the union request, over issues such as severance pay, pensions, and transfer rights. Failure by the employer to bargain in good faith over these issues constitutes an Unfair Labor Practice under Section 8(a) (5) of the Act. The request by the union must however be timely, and should the union fail to make a request, it gives up the right to bargain over these issues. An employer is further required to provide the union with details about the relocation of bargaining unit work, including 1) where the work is to be transferred. 2) the job classifications at the new site, 3) the number of jobs at the new site, and 4) the comparative costs of the operations. Should the employer refuse to bargain, or only bargain in superficial fashion over these areas, the union can file a charge with the NLRB, who will then conduct

> a thorough investigation of the matter. However, should an employer be found in violation of the Act, remedies are seldom stringent enough to prevent an employer from shutting down, and indeed the decision may well support the union and workers, but come long after the plant in question has locked its gates. Even where an employer's actions are found by the Courts to be unlawful, vindication rarely comes without years of litigation. Most often however, negotiation over the closing is common and occurs fairly routinely.[11]

Recently it has become clear that the existence of a provision requiring *ad hoc* bargaining in the closing situation can help to bring about a favorable closing bargain. Indeed, a new militant attitude, including threatened and actual resort to the courts, has pervaded plant-closing bargaining, and some benefits have accrued to workers as a result. There is a dearth of evidence about *ad hoc* bargaining at the time of closing, which may reflect the lack of bargaining or of results. Research priority should be given to the investigation of agreements concluded at the time of closing, to a close analysis of their relationship to the contract in force at the time, and to the process involved, since this type of bargaining, will surely become more common and more militant.

Within the literature reviewed there is also a lack of evidence (indicating lack of activity) in respect to union support services. In two cases, placement programs were begun. In some other cases, notably the Automation Fund studies, the unions were represented, if not heavily involved, in the program. However, recent discussions with union representatives indicate that the union representative can serve as a facilitator, counselor, and a support system to laid-off workers. Once again, this matter requires further study.

11. *Preliminary Report on Plant Closings,* Illinois State AFL-CIO Manpower Assistance Program, 1980, p. 26.

What the literature does indicate is significant for American experience with plant closings in the past. However, the future, with the new attitude toward closing bargaining, may be different. But the changes which are occurring in the area of community response, and which are sometimes effective, highlight the fact that one new role of the union is that of partner to community members and to local groups and agencies. In two cases below the union provided facilities for one community program and cooperated with another. Labor has also undertaken continued and heightened involvement in legislative and other political initiatives.

Only a little evidence of this heightened activity on the part of organized labor has surfaced in print. One example of where labor took the leading role in the coordination of available resources can be found in the Illinois State AFL-CIO Manpower Assistance Program associated with the closing of the Rochelle, Illinois, Swift Meatpacking Plant.[12]

In summary, when confronted by a plant closing, unions react by referring to the bargaining agreement in force, by engaging in *ad hoc* bargaining, by forming coalitions within and outside the community, and by pushing toward legislative enactment of those provisions that have not been achieved through collective bargaining. These reactions correspond closely to the range of activities that organized labor normally undertakes. The new role taken by some groups in organized labor, and the degree to which that role reflects organized labor's interest in and talent for building coalitions, is the most positive element in the union's reponse to plant closings.

12. *Ibid.*, pp. 31-37.

Community Response to Plant Closings

In contrast to the roles of management and labor, which have remained relatively unchanged over the past several decades, communities beset by plant closings have taken some new steps in recent years. Two decades ago, communities were mentioned in the plant-closing literature only in reference to such variables as community size, local labor market conditions, and the community's history of job loss. In other words, communities were affected by plant closings but remained relatively passive.

The recent active measures taken by communities in response to economic dislocation are reflected in a certain amount of the research, although this does not always appear in the literature. Most of the material upon which the following section depends comes from research reports, lengthy memoranda, and other unpublished materials. There are three general areas of community-centered studies. The first focuses on community costs and the associated question of what should properly be considered within the community cost-accounting system. There is, therefore, some continuity between studies of actual dollar amounts lost by communities through a closing and increased costs generated by sponsoring services for a growing number of unemployed. A second type of study reports on what happens after a closing and can include discussion of worker-ownership and other less developmental interventions. What distinguishes such studies from standard plant-closing program evaluations is the emphasis on the community as adjustment agent, rather than the displaced workers, and on the programs designed to assist them. Finally, a major study on the coordination of community services after a shutdown is reviewed. While the emphasis of this study is on interorganizational linkages and the barriers to effective resource utilization, the underlying problem is, of course, financial. Effective coordination of

services is vital when resources for all services are increasingly constricted.

Policies and programs developed to assist the temporarily unemployed and to aid disadvantaged groups in general have not, for the most part, relied on local monies. However, the increased demands on local services of all kinds during times of high unemployment and economic dislocation places communities and agencies within communities in a vise; just as demand for services increases, funds to provide such services are cut. Kopolow and Ochberg spell out the consequences of this situation with respect to mental health services.[13] But the problem encompasses several other losses to the communities as well. Jobs from the plant are lost and, depending on the type of facility, a greater or lesser number of other jobs in supplier plants may quickly follow. Should the crisis last long enough, and the displaced workers' residences be concentrated within the community, a downturn in local commercial and business establishments will also follow. A final ripple can occur in public sector employment as lowered tax revenues force the layoff of public employees.

Assessing community costs of plant shutdown is a research area only now opening up. Although the complexity of the research and the lack of precision to be expected in early pilot studies are discouraging to deal with, two valuable preliminary studies have been completed. In one, Carlisle and Redmond[14] outline the indicators by which they measure community costs of plant closings; and in a companion piece they present methodology, sources of data, and preliminary

13. L.C. Kopolow and Frank M. Ochberg, "Spinoff From a Downward Swing," *Mental Health*, National Institute of Mental Health, 1976.

14. Carlisle and Redmond Associates and C & R Associates, *Measuring the Community Costs of Plant Closings: Overview of Methods and Data Sources*, Federal Trade Commission Report, May 1979; and *Indicators for Measuring Community Costs on Plant Closings*, FTC Report, 1978.

findings about the effect of plant closings on the cities of Bridgeport, Connecticut and Durham, North Carolina. While they do not attempt to estimate all the costs, they have developed methods and indicators for this purpose. Currently, three research efforts are underway to assess total costs—in New England, in Youngstown, Ohio, and in several Michigan communities.[15] None of these studies has progressed beyond the data collection and analysis phase, but it is expected that they will be developmental in nature and that their publication will stimulate further work on the costs to communities of plant shutdowns.

From the community perspective, services to assist in worker reemployment and to smooth the transition period are important in the short term, but community economic development is obviously a long-term strategy to be preferred to adjustment to community reduction. Worker-community purchases of industrial facilities threatened with closing have, during the 1970s, given many communities hope, for keeping a plant open obviates the need for difficult, painful, and costly adjustment.

There is substantial literature on worker ownership; Stern, Wood and Hammer,[16] and Whyte[17] concentrate upon this process, while Conte and Tannenbaum[18] continue to monitor the fiscal health of employee-owned enterprises. Three brief case studies suggest that the new trend toward

15. Elliot Sclar at Columbia is completing one study while Jemadari Kamara is conducting a cost study as part of dissertation research in The University of Michigan's Urban and Regional Planing Program. Data are currently being analyzed by Sean McAlinden on the costs of human services provided after a closing in Grand Haven, Michigan.

16. Robert N. Stern, K. Haydn Wood, and Tove Helland Hammer, *Employee Ownership in Plant Shutdowns: Prospects for Employment Stability* (Kalamazoo, MI: The W.E. Upjohn Institute for Employment Research, 1979).

17. William Foote Whyte, "In Support of Voluntary Employee Ownership," *Society*, September/October 1978, pp. 73-82.

18. Michael Conte and Arnold Tannenbaum, "Employee Owned Companies: Is the Difference Measurable," *Monthly Labor Review*, Vol. 101, No. 7, July 1978, pp. 23-27.

employee ownership depends upon the local community and upon the formation of a coalition of community members, workers, local banks, federal agencies and scholars involved in research in the area. An employee buyout of South Bend Lathe (South Bend, Indiana) survived the first stage after buyout, that is, the demonstration of sufficient continued profitability. But, as William Foote Whyte has remarked, there are two stages to such development, and all too frequently managers, in their effort to establish and maintain profits, neglect labor-management relations just when such relations should surpass ordinary corporate efforts at cooperation.[19] At South Bend Lathe, problems mounted over several years and have resulted in a well-publicized strike, seen by many as one in which workers were striking against themselves. With the settlement of the strike, steps are being taken to reduce labor-management problems. A similar disillusionment has occurred at Saratoga Knitting Mills and the Mohawk Valley Community Corporation's venture at the Library Bureau at Herkmer, New York, both of which are reviewed by Zwerdling.[20] In neither case were labor-management tensions eased by the buyout. After an initial period of euphoria, management continued to function as before while workers, sometimes in conflict with their union and sometimes in concert with it, expressed discontent with a system fundamentally unchanged. These situations have convinced some observers that worker-ownership should be accompanied by greater worker participation in decision-making, if not by worker-management. Conte and Tannenbaum have given support to those who see worker-ownership as a response that saves communities from the losses incurred when a major manufacturing facility closes by noting that profitability, at least on a modest scale if not on the scale of a multinational corporation, is maintained by

19. Whyte, *op. cit.*, pp. 78-80.

20. Daniel Zwerdling, *Workplace Democracy* (New York: Harper Colophon Edition, 1980), pp. 65-80.

employee-owned businesses.[21] It is not clear what impact bad labor-management relations characteristic of the second stage of employee buyouts will have on profitability. Further, there is little as yet on the few situations in which employee buyouts are combined with increased levels of worker participation. Finally, as the section on legislative initiatives explains, employee buyouts, formerly funded in part by federal agencies, will probably have to depend in the future on state government or the private sector or both for financial and technical assistance.

While it can be assumed that all communities are concerned about a shutdown and its consequences, not all communities respond in the same way. In the economic dislocation impact inventory, the U.S. Department of Labor's Office of Trade Adjustment Assistance studied three cities after shutdown: Talladega, Alabama; Horseheads, New York; and Mansfield, Ohio.[22] Although the differences are striking, certain similarities dictated the choice of study sites. The plant closings were all removed from large labor markets and were in cities of 100,000 population or less, where the workers lived nearby. The closings resulted in unemployment higher than the national average, for each location was an established manufacturing area currently experiencing long-term decline and stagnation. In each case, a significant portion of the local population was heavily dependent upon the affected industry. Further criteria for selection involved eligibility for Trade Adjustment Assistance and the presence of collective bargaining agreements with major national unions, including contracts with seniority provisions inapplicable elsewhere. All had health and pension plans and the plants in Horseheads and Mansfield had both SUB and termination benefit plans. The displaced workers were mostly

21. Conte and Tannenbaum, *op. cit.*, pp. 27-28.

22. *Economic Dislocation Impact Inventory Study: A Pre-Test in Three Cities* (Washington, DC: Office of Trade Adjustment Assistance, Bureau of International Labor Affairs, U.S. Department of Labor, November 1979).

unskilled and had a limited education, and the manual skills they did possess could not readily be transferred.

The studies sought to identify individual needs not met by traditional forms of assistance, to obtain assessments of the problems specific to the locale of the displaced workers, and to identify local resources and explore whether these could be mobilized to assist workers and the community. Despite some difficulty in collecting data, the studies did present a clear picture of economic dislocation in three cities, one particularly important here in relation to the community's responses.

The study team's interviews in Talladega revealed that individuals and groups within the community expressed concern, but that practical results were limited. Local economic development effort was stepped up, but the results of that increased activity, if indeed there were results, could not be observed by the team in a short term investigation. Either the nature of this increased activity was not explained to the team, or the efforts had not taken shape by the end of the study. There appears to have been no important community agency, group or institution that did not express verbal support, but there were limits to community action, and no fruitful community response was observed.

In Horseheads, New York the impact on the community was not especially severe, except for the loss of employment and earnings. The secondary impact was limited, partly because many workers commuted fifty or sixty miles to work and the economic dislocation was spread outside the immediate area of Horseheads. While there were reports of the usual social problems—divorce, depression, and substance abuse—consequent upon unemployment, free counseling was a help in alleviating them. The negative impact was also minimized because some families had savings and some workers were married women and thus secondary wage

earners. The workers were reemployed eventually. Skilled workers relocated, others retrained, and during the period of adjustment the community expressed a sense of support. The study team felt that the experience of recovery from the 1972 floods in the area may have helped the community to organize for economic dislocation. Operation Help, organized by a joint effort of the union and the local community service groups, provided information on available assistance programs and arranged for family and financial counseling. The Chemung County Chamber of Commerce took an active role in assisting workers with their creditors and helped to identify possible jobs. The local community college organized a program to prepare workers to enter appropriate advanced training programs even before trade adjustment assistance certification was issued, with the understanding that if certification was not issued, the program would proceed without charge to the unemployed workers. Unfortunately a dispute arose, primarily jurisdictional in nature, with the New York Department of Labor. General community response in this situation was properly directed, and difficulties arose only because of limited coordination efforts among groups who were involved in the plant closing but outside the immediate community.

Mansfield, Ohio exhibits certain features of a classic plant closing. The community is contracting by some 3.6 percent each year. While younger workers in the area, which had an unemployment rate of 7.9 percent when the closing was announced, decided to leave Mansfield, many older workers did not. A significant portion of the workers were in their forties or fifties, and their adjustment became a matter of concern for the community. Even before Trade Adjustment Assistance became available, the community responded with counseling, training, and job placement services, while other agencies were mobilized and coordinated to offer special services.

The Mansfield experience has received attention because of its emphasis on retraining. The proposal that a program be developed was made by Henry Fallerius, President of North Central Technical College, and from that proposal came Project Care, directed to the rubber workers affected by the plant closing but open to all the unemployed in the county. Counseling, training, and job placement were all gathered under the Project Care umbrella. Centers were set up throughout the area in schools and post-secondary institutions and the union hall. Local schools contributed the services of their counselors and the space and facilities for classes. The Project appears to have been designed for the skill level and career aspirations of the unemployed workers and the needs of the local labor market. The first objective for the retrained workers is to acquire jobs, and it is understood that some may be obliged to leave the area to do so.

The study of these three communities suggests that a sense of concern is the first response of community members, groups, and agencies to a plant closing, but that it cannot, in itself, accomplish a great deal. The mobilization of groups and resources to provide tangible support is the next essential step, and communities that have had experience in previous disasters, such as Horseheads, fare well in this phase of response. Perhaps the question should be asked whether a community should wait until disaster strikes to develop coordination and mobilization capacities. Finally, the key to success in Mansfield was a combination of concern, coordination and mobilization, augmented by a realistic plan to solve problems and a determination to use the resources of several agencies of government. The study showed that even long term government support, especially if uncoordinated, is no answer for any community. It also showed that a community with its own goals and objectives can use resources available from local, state, and federal agencies to make the adjust-

ment easier for workers and the community and to implement an appropriate long term development plan.

To plead for increased coordination of services in the aftermath of a plant closing has become a cliche. To praise those communities that have developed coordinated responses is common. What this indicates is that community coordination, which means improved communication and relaxation of territorial tensions, combined with planned organizational and social change is a tough task. While we know from organizational behavior research that a crisis often produces such coordinated responses, only recently has an action research project focused on a plant closing. In a study which is already a classic, a team from the University of Michigan's Institute for Social Research developed a community-based program for reducing the social impact of a plant closing.[23] While the authors, Taber, Walsh, and Cooke, recognize that the impact of the effort cannot be fully evaluated, their experiment drew together management, the union, and community representatives into a temporary inter-organizational system designed to mobilize available human services. After the plant shutdown, the coordinating effort in which the research team took a facilitating role as change agents increased and enhanced the competence of the community. However, the difficulties encountered and the lack of total success reported provide evidence that, even with the provision of skilled assistance in a major crisis, communities and community agencies are not equipped to identify and coordinate all available resources.

In summary, communities are as vulnerable to the plant-closing crisis as the displaced workers. The costs to communities have not been adequately assessed, but those costs are considerable. Communities can respond passively to the

23. Thomas D. Taber, Robert A. Cook, and Jeffery T. Walsh, "Developing a Community-Based Program for Reducing the Social Impact of a Plant Closing," *Journal of Applied Behavioral Science*, Vol. 15(2), 1979.

crisis, but if they take an active role in assisting those community members most affected and thus reestablish the community's vitality, they provide relief to those in need and a central focus for the community itself. Communities must perceive the problem, must mobilize and coordinate resources, must form a plan best adapted to that community's situation, and must win the support of community members in implementing that plan. Difficulty can be expected at every stage of the process, as the evidence in respect to coordination of community services shows. Yet communities that have experienced crises and developed coping skills are far better prepared to meet future crises.

Legislative Initiatives in Response to Plant Closings

Over the past decade, a great deal of political activity has centered on the issue of plant closings. This activity has not been able to promote legislation on the national level, although workers have been enabled to buy facilities threatened with closure through legislation originally developed for rather broader reasons. Efforts at the state level have been somewhat more successful, but most of these are too recent for studies concerning them to have appeared in the literature. What does surface are studies of employee-owned firms, displaying a strategy to combat plant closings favored by a significant group of scholars, political activists, community leaders, and growing numbers of labor leaders.

Much of the legislative activity and even more of the literature concerning the politics of plant closings question whether capital mobility should remain unrestricted. Despite its underpinning of a significant research effort, the quintessential political document embodying the perspective is the Bluestone and Harrison study, *Capital and Com-*

munities.[24] It is, however, only one of the studies now being made by 15 or 20 individuals or groups who are concentrating on plant-closing problems and the development of political action to combat them. These researchers come from unions, universities, and nonprofit social action or research groups.

It is probably appropriate to identify the most radical critics of the *status quo* with objections to unrestricted capital mobility. However, the radical critics are joined in their intervention efforts by other groups less obviously critical of the disinvestment process. Despite differences in political orientation and economic philosophy, the beginning of a national coalition could be discerned in the early 1970s. Efforts to save jobs for the Youngstown steel workers enlarged and strengthened such organizations as the Ohio Public Interest Campaign as well as the wider network of persons and groups concerned about economic dislocation. This alliance includes individuals who have held either conservative or liberal positions on other matters but who have been drawn to the plant-closing campaigns through circumstance or, as in the case of several major academic figures, because of a long-standing interest in research on employee-ownership, employee-participation in decision-making, or the overall effects of plant closings. Whatever the political and ideological shifts and compromises that have been made over the past few years, it is clear that groups once committed to simple community organizing efforts have been transformed into political action groups. Further, because of their diligent efforts to clarify the problems and issues for themselves and because of their abilities to build networks with organizations sharing some similar concerns,

24. Barry Bluestone and Bennett Harrison, *Capital and Communities: The Causes and Consequences of Private Disinvestment* (Washington, DC: Professional Alliance, 1980), pp. 16-55.

the informal and unofficial plant-closing network is not in itself a major research resource.

The major product of this network, its associates, and its political allies has been proposed legislation that has subsequently appeared on both the state and federal level.[25] State legislation currently exists in Maine, Michigan and Wisconsin. All three statutes are considered relatively weak, but for different reasons. Michigan Public Act 44 requires notification so that assistance to those firms where an employee buyout is possible can be offered by the Michigan Department of Labor. Maine's law simply requires that severance benefits be paid to displaced workers. The Wisconsin statute (109.07), enacted in 1975, requires 60 days' notification for establishments having more than 100 employees and mandates a fine of $50 per worker for noncompliance, but this statute has not yet been implemented. It is significant that new and stiffer legislation has been introduced in both Maine and Michigan.

Other states currently contemplating legislation include Ohio, Delaware, Oregon, New York, New Jersey, Illinois, California, Rhode Island, and Pennsylvania. Legislation may also be introduced in Montana, New Hampshire, and Indiana within the next year or two. These legislative initiatives face great opposition; some of them have been introduced in different forms on several occasions, only to die in committee or suffer defeat. However an important phenomenon is increasingly associated with these proposed bills: the growth and development of new plant-closing public action groups. Patterned in part upon the Ohio Public Interest Campaign and adopting its strategies, new groups, such as the Pennsylvania Public Interest Coalition, the Illinois Public Action Council, and the Oregon Plant

25. William Schweke, *Plant Closings: Issues, Politics and Legislation Briefing Book* (Washington, DC: Conference of Alternative State and Local Policies, 1980), pp. 42-52.

Closure Organizing Committee, have been formed. Public hearings, such as those in Rhode Island, New York, and California, continue to focus public attention on these issues.

The state-level legislation can be very simple, requiring only some advance notification to workers,the community and the state and setting a major or minor penalty for noncompliance. Maine, for example, mandated severance benefits of one week's wages for every year worked by those employed for more than three years. Only civil damages are countenanced by this bill. Ohio's proposed legislation, on the other hand, includes a full range of provisions. Employers not facing bankruptcy and falling outside certain other acceptable levels of business contraction and employing more than 100 persons in an establishment that has been more than five years in operation are subject to several requirements. In one proposed version, advance notification of two years is required, while a bargained-down version requires only one year. Severance benefits similar to those of Maine, one week's wages for each year of employment, are mandated. A community assistance payment is also part of the proposed Ohio legislation, requiring the payment of 10 percent of the total wages of employees who lose their jobs because of closing. Willful failure to comply can result in the issuance of an injunction prohibiting closure. Other states, New York for example, propose criminal sanctions and punitive fines. New York, Oregon, Pennsylvania, Rhode Island, and California also include employee-buyout provisions in their proposed plant-closing legislation.

As the political action side of this network gains experience with plant closings and with the legislative process, there is a tendency for proposed legislation to become more comprehensive and to include short-range remedies such as community action assistance as well as long-range options such as employee-community purchase of the plants. Occa-

sionally, as in Michigan, an exception can be observed; political consideration made a simple bill providing minimal assistance for employee-ownership options feasible at a time when other measures were unlikely to be passed.

The same mix of concerns and strategies is seen in national legislation. Since 1974, Representative William Ford of Michigan has introduced successive versions of a National Employment Priorities Act. In the most recent version, unlike earlier formulations, the emphasis is on financing of severance pay by the employer rather than by federal funds. Communities would be the beneficiaries of a mandated payment to the local municipality of 85 percent of their tax loss. Another feature of the current bill would establish a National Employment Priorities Administration within the Department of Labor to conduct investigations of planned closings and to offer financial and technical assistance to prevent them. Other bills that have been introduced and have died in committee have focused more narrowly on one issue or another. For example, the Employee Protection and Community Stabilization Bill of 1979 would have called for the continuation of employee health benefit plans but would have restricted federal financial and technical assistance to employee-buyout situations by denying them the assistance offered by the Ford Bill to ailing industries.

The only legislative victory the plant-closing coalition can claim on the national level is the Small Business and Employee Ownership Act of 1980, Title V of Public Law 96-302. By this Act the Small Business Administration is given authority to make loan guarantees to employee trusts for the purchase of a business or expansion of a business. These trusts may be part of an employee stock ownership plan (ESOP) or come from another type of employee ownership. At present, the Administration is entitled to guarantee up to $500,000 in loan authority. The possibilities involved in the Title I enactment, taken together with financial

assistance available from the Economic Development Administration of the Department of Commerce, the Urban Development Action Grant Program of the Department of Housing and Urban Development, and the activities of the National Consumer Cooperative Bank, made the prospects for a continued trend toward employee buyouts seem favorable in late 1980. The current climate in the new administration and Congress hardly seems conducive to continued development in this direction for the next several years.

The future of the plant-closing coalition is uncertain. Its past, brief as that has been, is an interesting example of coalition formation. The themes that draw individuals and groups together are often superficially similar but fundamentally different. A major concern with employee participation in decision-making predates the association of plant closing with employee-ownership, yet at several points these concerns have coalesced, as the work of William Foote Whyte shows. Early notification, for which many could lobby, often concealed fundamental differences about what should be done during the time gained and even whether management should have the right to make the decision without constraint. Should the plant-closing coalition survive and thrive, it will surely move more forcefully into electoral politics.

A major conclusion of this chapter, indeed of this volume, is that very little that is new has been recorded in the plant-closing literature since 1963. That is not to say that nothing new has happened. The newest program, and program is meant here in the largest sense, has been political. Although the goals of the supporters of the plant-closing coalition differ markedly, and indeed are in direct contradiction at times, a resource network has been assembled. A priority for plant-closing research must be the continuing study of the political

action and community organizing groups that have mobilized around this problem.

European Responses to Plant Closings

While this volume is concerned exclusively with the American experience in plant closings and industrial dislocation, the new directions in the area of political initiatives have led the plant-closing research and action community to look at the European examples available. While numerous scholars have followed European employment and training programs and efforts to promote job security and occupational mobility, there has been a recent resurgence of interest in European policy. Two studies in particular, a report to the Federal Trade Commission by Carlisle and Redmond in 1979[26] and the joint Report of the Labor Union Study Tour in the same year[27] illustrate the new tendency to acquire useful program and policy models. Carlisle and Redmond made an extensive search of the literature and initiated contacts with individuals and organizations active in policy research on plant closings and plant-closing legislation throughout Western Europe, including France, Sweden, Germany, Belgium, and the United Kingdom.

Most European countries, in contrast to the United States, do have some form of legislation intended to mitigate the hardships following a plant closing. Job training and job search assistance is available in all countries; France and Sweden have the most extensive programs, with relocation a focus of Swedish policy. Compensation payments are widespread throughout Europe, again as a matter of public policy enforced through legislation, in contrast to the United

26. Carlisle and Redmond Associates, *Plant Closings Legislation and Regulation in the United States and Western Europe: A Survey*, Report to the Federal Trade Commission, January 1979.

27. *Economic Dislocation: Plant Closings, Plant Relocations and Plant Conversions*, Joint Report of Labor Union Study Tour Participants, May 1, 1979.

States where such payments are matters for collective bargaining agreements. European payments are justified either by the conviction that worker transition should be eased or that compensation to the worker for loss of his investment in the job should be made. Pre-pension programs, the early retirement option, are particularly important in the French scheme. There is little evidence in European legislation of penalties for companies that move, although in some cases there are national funds to ensure payment to workers in case of noncompliance or company default on severance payments. In Great Britain, an attempt at locational regulation is made through incentives and disincentives to induce new industries to locate in certain affected areas.

Those who have studied European legislation tend to conclude that European countries generally have adopted, through a variety of approaches, an active and helpful posture toward displaced workers. The keystone of these approaches continues to be early notification, which enables workers to make the necessary adjustment more easily and enables government, which plays a major role, to provide compensation, services, and transition assistance effectively.

Summary

The management role in plant closings, with the exception of some employability development programming, remains one in which management attempts to minimize the costs associated with closing. The role of organized labor, constrained as always by the relative failure of collective bargaining to provide job security and/or substantial adjustment assistance, has recently moved toward a closing-specific posture. New attitudes and capacities are generating aggressive bargaining that seeks to extract as much adjustment assistance as possible. Unions have also become, in some cases, leaders or partners in community coordinating groups. Communities, once the passive element in the plant-

closing process, are demonstrating concern and are showing success in coordinating services and in new capabilities for organizing campaigns to retrain workers and channel economic development.

Legislative initiatives, a new category of plant-closing responses, have not yet proved very successful. But in the process of developing such legislation, an active network of plant-closing research and action specialists has developed. Although its future is uncertain, this plant-closing community could become increasingly visible as it provides training, technical assistance, and support to groups who hope to promote legislation and community initiatives. The successful management of plant closings in some European cases continues to be a leading source of policy and program models for the increasing number of labor leaders, researchers, political figures, officials, and activists who feel that the American response to plant closings has been too little and too late.

Chapter 4
Labor Market Re-entry and the Reemployment Experience

Without question, the vast majority of plant-closing research has centered on the displaced worker. The demographics, job search methods, resources, and needs of the displaced have all received attention. Yet research into the displacement experience can be separated into two broad concerns: while most of the literature since 1963 has focused on program impacts, a significant portion of plant-closing research has continued to examine the job search methods and reemployment experience of those workers who either chose not to participate in formal programs or for whom no intervention was initiated. This chapter will examine the second group, reserving a study of program participants for the following chapter.

Workforce Demographics

The following examination of the demographics of workers considered in the literature under review is designed both to present a vivid picture of the worker faced with a plant closing and to provide a basis for comparison with the program participants.

Although plant-closing research has been concerned with different industries and geographical regions, a number of common characteristics of the workforce emerge. First, the

age of the displaced worker is quite high, ranging from 53.8 years at Packard[1] to about 40 at the Armour site,[2] due in part to reverse seniority layoff. When a firm fails, or when production has been gradually cut back before an announcement of closing, reverse seniority layoff may mean that the average age of the workforce at the time of the closing has risen. Since age is often associated with high seniority and since case study participants had an average seniority ranging from 11.3 years at Omaha[3] to 30 at Roanoke,[4] it seems likely that the younger, less senior workers were the first to lose their jobs. Indeed, many of them had been released long before the research team ever entered the plant.

Given the high age and seniority of the plant-closing workforce, then, low educational attainment comes as no surprise. Formal education was as low as 7.2 years at Packard,[5] while averaging as high as 10 years at a number of other sites. Obviously such low educational levels have a severe impact on retraining and development.

The tendency among plant-closing researchers to examine only male-dominated, heavy manufacturing industries has resulted in an underrepresentation both of racial minorities and of female workers. While racial minorities constituted 45 percent of the Packard workforce,[6] 7 of the remaining studies reported that minority workers comprised less than

1. Michael Aiken, Louis A. Ferman, and Harold L. Sheppard, *Economic Failure, Alienation and Extremism,* (Ann Arbor: The University of Michigan Press, 1968), p. 178.

2. James L. Stern, Kenneth A. Root, and Stephen M. Hills, "The Influence of Social-Psychological Traits and Job Search Patterns on the Earnings of Workers Affected by a Plant Closure," *Industrial and Labor Relations Review,* October 1974, p. 112.

3. Stern, Root, and Hills, *op. cit.,* p. 112.

4. Joan M. McCrea, *The Reemployment Experiences of Workers Displaced in the Closing of the American Viscose Plant at Roanoke* (Virginia Bureau of Population and Economic Research, University of Virginia, 1968), p. 7.

5. Aiken, Ferman, and Sheppard, *op. cit.,* p. 178.

6. George P. Shultz and Arnold B. Weber, Strategies for the Displaced Worker (New York: Harper and Row, 1969), p. 102.

10 percent of the workforce; 8 studies made no mention of race at all. The findings for females were similar. Although females comprised as high as 56 percent of the workers at West Warick,[7] most of the studies (19 out of 27) dealt with female participation of less than 10 percent or made no mention of the sex distribution. Therefore, it is difficult to draw valid conclusions about the employment and job search experiences of women or of minorities. Yet certain conclusions can be drawn from the few studies that do show significant levels of both groups.

Job Search

Where the labor market assistance programs are unavailable or have been refused by the worker, announcement of closing means a return to the job market. Between announcement and closing the worker must plan a job search strategy. The basic questions are when to begin a job search, where to look, and how to look. Plant-closing research offers substantial findings bearing on each of these decisions.

The decision to begin an early job search appears to be associated with the worker's occupational status and the availability of severance benefits. Portis and Suys,[8] in studying the effects of early notice at the Kelvinator plant in London, Ontario, note that while only 26 percent of the production workers left Kelvinator before the closing, no more than one-quarter of the office, managerial, and executive staff remained until the shutdown. It was found that 82 percent of those staying until the shutdown date listed "to get all severance benefits" as a cause, while 31 percent said they had looked for a job but could not find one, and 22 percent

7. William Devino, Arnold A. Raphaelson, and James A. Storer, *A Study of Textile Mill Closings in Selected New England Communities* (Orono, ME: University of Maine Press, 1966), p. 111.

8. Bernard Portis and Michael Suys, *The Effect of Advanced Notice in a Plant Shutdown: A Case Study of the Closing of the Kelvinator Plant in London, Ontario*, (London, Ontario: School of Business Administration, The University of Western Ontario, 1970), p. 8.

said that they had been assured of a job after the termination date. Of those leaving early, 83 percent had a good job offer, while 17 percent said they did not know that severance benefits were being offered. Thus Portis and Suys conclude: "It is difficult to tell whether employment opportunities or severance benefits were really the more important in keeping workers at Kelvinator."

A more striking difference in the way the job search was conducted was found by Foltman[9] in polling the workers at Wickwire. There only 41 percent of the respondents had tried to find another job before termination. Only 19 percent had made "modest or diffident probes of the labor market," while an additional 19 percent engaged in a serious and extensive search. However, of much greater interest was the apparent dichotomy between white-collar and blue-collar workers. While half the white-collar workers undertook either modest or intensive job search before termination, only 35 percent of the blue-collar workers chose to do so. Again issues of seniority, severance benefits, and lack of available jobs were given as reasons for staying, while a good job offer constituted the primary reason for leaving.

These two studies offer three possible reasons for the apparent dichotomy. First, the much higher percentage of workers receiving "good job offers" appears to be directly related to their occupational status, a fact that implies that fewer blue-collar workers would leave the company before shutdown because they had received fewer offers. On the other hand, it is quite possible that white-collar workers may have undertaken a more rigorous search or may simply have developed superior techniques for finding new employment. The latter possibility is favored by Foltman, who points out that white-collar workers are usually able to take time off

9. Felician F. Foltman, *White and Blue Collars in a Mill Shutdown*, (Ithaca, NY: New York State School of Industrial and Labor Relations, 1968), pp. 45-46.

from work to search for employment and that they are apt to be in touch with better information channels than their blue-collar counterparts.

> Leaving the job for job hunting is, of course, not easy for blue-collar workers in factories. To be sure, some employers sent representatives to Wickwire where some blue-collar employees were interviewed on company time, but otherwise, these workers made their employment forays on their own time. An employed white-collar respondent who found a job in another state remarked: "Due to my management position my feelings would naturally be different from others who were in the union rank and file; however, I feel that it would have helped all types of personnel to have been alerted to the gravity of the situation at a much earlier date. Even though I felt certain that a shut-down would occur (as early as the fall of 1962) I am sure that the local management was not actually aware of the exact situation until June 1963."[10]

Finally, the high percentage of workers listing severance pay as their reason for remaining to the end leads one to believe that severance benefits may have a negative effect on blue-collar job search. If the employee must remain until layoff in order to become eligible for severance benefits, such benefits may actually slow down the job search of these workers. By reducing the sense of urgency and creating in its place a false sense of security, the additional income provided by severance payments may encourage the worker to act against his/her eventual best interests. And if the blue-collar worker, as Foltman suggests, has in any case a poorer perception of the labor market than does the white-collar

10. *Ibid.*, p. 46.

worker, the lure of severance pay may prevent the realization that early job search is necessary.[11]

The decision about *where* to look for a job has received more extensive attention in the literature. Unlike research on when to begin looking, studies on job search mobility have had a wider scope than just the impact of occupational status and severance benefits. Unfortunately, with the exception of Foltman, we have only quantitative results rather than actual search patterns. Therefore, many of the characteristics outlined below are associated only with actual relocations and not with those workers who *looked* for a job that would require a move. As a result, we risk reporting associations between demographics and job search mobility when we may actually have been observing an association between worker demographics and reemployability. Yet there are theoretical reasons for believing that such demographics may have an impact on both reemployability and job search mobility. Thus, we present the association below, fully aware of the danger of establishing a spurious relationship. When a characteristic is associated only with job search results, the accompanying theoretical arguments for an association with job search mobility will be provided as well.

Occupational status appears to have an impact on job search mobility. Foltman, in studying the mobility patterns of white-collar and blue-collar steelworkers, notes that while only 22 percent of the blue-collar workers at Wickwire sought jobs more than 50 miles from the plant, 33 percent of the white-collar workers did so.[12] He asserts that occupational status, which forms one of the strongest associations between an individual labor market trait and job search mobility, affects the climate of the worker's job search. White-collar workers have the better informational channels

11. *Ibid.*, p. 62.

12. *Ibid.*, p. 66.

and job search opportunities. As Foltman notes, better job market information makes the white-collar worker more aware of actual labor market conditions so that he is better qualified to market his skills. High occupational-status workers, because their acquaintances are more geographically diverse and because they enjoy search time allowance along with general preferential treatment, are able to "scout out" new localities and employers and to reduce the uncertainties involved in relocation. Turning Foltman's argument around, it can be argued that blue-collar workers lack vital informational channels and thus find it more difficult to properly appraise the potential costs and benefits of job search mobility. Faced with a higher degree of uncertainty, the blue-collar worker may actually perceive the net benefits as insufficient to warrant the effort or simply choose not to explore the unknown.

A worker's sex has also been linked to geographic mobility. Joan McCrea[13] has observed that only 15 percent of the displaced female workers at American Viscose, as compared with 24 percent of the males, relocated. While McCrea offers no data on the characteristics of the female relocation participants, David Lipsky,[14] treating relocation patterns of workers in General Food's transfer program, describes the small percentage of women participants as "single career women" or women with husbands who were relocating. Secondary income status of females, it can be argued, reduces the opportunity for relocation and thus reduces their job search mobility. Risking a primary income source to ensure a secondary one is simply not a rational choice, and as a result the job search mobility of secondary income earners may be limited to the local labor market. Indeed, secondary income status may explain the actual disparity in relocation

13. McCrea, *op. cit.*, p. 20.

14. David B. Lipsky, "Interplant Transfer and Terminated Workers: A Case Study," *Industrial and Labor Relations Review*, January 1970, p. 194.

rates and a potential disparity in mobility between males and females. But other scenarios are possible. Women may be more sensitive to risk factors, or they may value family or community ties more than men and thus wish to remain in the same locality. But until the data to validate any of these hypotheses are obtained, no conclusions are possible.

Age is another relocation barrier mentioned in the literature. While several plant-closing studies have noted the negative effects of age on the worker's propensity to relocate (i.e., Lipsky, Aiken, Ferman and Sheppard), McCrea gives an especially vivid account.[15] While 32 percent of those under 45 moved out of Roanoke, only 18 percent of those over that age did so. A primary determinant of such immobility on the part of those over 45 at Viscose, and an explanation common to most research on the subject, was the high level of community attachment of this group. About 75 percent of the Viscose workers had been employed at the plant for more than 30 years and half the workforce had kept the same residence for more than 20 years. Such commitment to the community increases the costs of relocation. The costs of leaving home, family, and friends after two or three decades is often prohibitively high. It must also be remembered that for the vast majority of older workers at any plant, the potential benefits are low. For the average displaced worker over 50 years of age, future working life is short. This decline cuts down the potential income disparity between moving and successful or unsuccessful local labor market search, thereby reducing the benefits of relocation. High community attachment and low income disparity between local and nonlocal employment certainly would reduce the job search efforts of older workers outside the community. Activity outside the local labor market would thus be expected to be minimal, but here again theories must remain speculation until proper data are available.

15. McCrea, *op. cit.*, p. 20.

A final demographic associated with the relocation decision is education. Lipsky[16] observed a slight tendency among the more educated to move more readily than their less educated co-workers. While Lipsky does not offer any theoretical explanation for this result, education may be linked to relocation in an indirect manner. Since higher education is often a valuable prerequisite for advanced occupational status, the association between education and relocation may be governed by the fact that a higher status position carries with it more company-assisted relocation opportunities and better information channels to conduct a wide job search. Educational attainment is also a function of a worker's age. Higher educational attainment may be associated with younger workers (up to a point) and it may be the worker's age and not his/her education that is the critical factor. Whether the correlation between education and relocation is indeed a spurious one has not been tested by plant closing research.[17]

Job Search Methods

Finally research has examined actual job search methods of the displaced. While most methods appear to be informal, a small group of displaced workers has utilized placement agencies. In this section, we shall attempt to differentiate between formal and informal job search patterns by the demographic features of the workers and to emphasize the apparent superiority of informal job search methods.

Nine of the twenty plant-closing studies provided information on the workers' propensity to utilize public or private placement agencies as a means of supplementing or sup-

16. Lipsky, *op. cit.*, p. 195.

17. Two other studies, Stern, Root and Hills, *op. cit.* and James L. Stern, "Consequences of Plant Closure," *Journal of Human Resources*, Winter, 1972, report that the company transferred workers had slightly lower educational levels than those who remained behind. However, such differences were very small.

planting their individual job search efforts. All but two of the nine studies focused on the worker's response to aid offered through the local employment service or through a joint effort between the Armour Automation Committee and the appropriate state unit. The percentage of workers responding to such assistance ranged from a meager 1 percent at Fort Worth[18] to a healthy 70 percent at Plainfield.[19] Stern, Root, and Hills[20] provide some information on who these people are and why they chose to enlist the services of a placement agency. For the workers in Omaha, the average age of the displaced worker who used a public placement agency was higher than that of the worker entering the market on his own. The former had a mean age of 39.2, while the latter had a mean age of only 37. This moderate difference suggests that the age variable may have some effect on the worker's decision to seek institutionalized assistance. Constantly reminded of the difficulty that older workers can have in finding adequate employment, the older labor market entrant may perceive an advantage in enlisting the help of a third party in dealing with potential employers.

The placement-assisted workers at Omaha also had greater seniority than their unassisted counterparts, averaging 11.3 years of company service compared to only 10.8 years for the latter.[21] This slight difference in mean seniority could be interpreted as a tendency for long-time workers, who have not had to seek work over a long period of time, to seek assistance when necessary; long absence from the job hunt makes them the most likely candidates to benefit from assistance. Workers with recent success in finding employ-

18. George P. Shultz, "The Fort Worth Project of the Armour Automation Committee," *Monthly Labor Review*, January 1968, p. 55.

19. John W. Dorsey, "The Mack Case: A Study in Unemployment," in *Studies in Economics of Income Maintenance*, Otto Eckstein, ed. (Washington, DC: Brookings Institution, 1967), p. 189.

20. Stern, Root and Hills, *op. cit.*, p. 112.

21. Stern, Root and Hills, *op. cit.*, p. 112.

ment are more apt to be confident of their own job-finding skills and thus less likely to feel that they need formal assistance. Again, this theory has remained untested by the current research.

Finally, 61 percent of the workers who sought formal assistance were unskilled,[22] and it can be hypothesized that they also were trying to offset a negatively correlated reemployment characteristic by formal assistance. In fact, the 40 percent minority composition of the assisted group, the .9 year differential in their educational attainment, and the $151 yearly salary disparity at Armour may all be evidence supporting the view that workers apply to placement agencies as a way of compensating for perceived disadvantages with respect to reemployment.

If the workers freely applying to a placement agency do indeed possess characteristics that put them at a disadvantage, this may partially justify the low success rates of placement programs in general. Excluding the Sioux City program where 450 out of 600 workers were placed,[23] placement has ranged from one-third of the participants at the oil firm in Hammerman's study[24] to a meager 5 percent at Plainfield.[25] If no other efforts had been made by the applicants, 66 to 95 percent of the job seekers dealt with in these studies would have remained unemployed. While we have no employment data on those workers the employment service failed to place, it is fairly safe to assume that a substantial number of them found employment without formal assistance or in spite of the placement program. It is also worth noting that, in one study, those reemployed through a placement service

22. Stern, Root and Hills, *op. cit.*, p. 112.

23. Eaton H. Conant, "Report and Appraisal: The Armour Fund's Sioux City Project," *Monthly Labor Review*, September 1965, p. 1300.

24. Herbert Hammerman, "Five Case Studies of Displaced Workers," *Monthly Labor Review*, June 1964, p. 664.

25. Dorsey, *op. cit.*, p. 189.

have had lower post-shutdown earnings than the unassisted workers. Stern, Root, and Hills[26] note, in the only study comparing the post-shutdown earnings of these groups, that assisted workers averaged $7,120 per year while unassisted workers averaged $7,875 per year. While it is true that the assisted workers also had lower pre-shutdown earnings than the unassisted, the disparity has grown since the shutdown (from $251 before closing to $946 by 1971). Given the low participation rates among displaced workers in agency programs and the low rates of agency success—generally in lower-paying jobs—one can only conclude that public and private employment agencies play a relatively minor role in finding jobs for the displaced.

For most job hunters, informal methods have proved relatively successful. Portis and Suys[27] note that 38 percent of the displaced Kelvinator workers found new employment through direct application, 21 percent through a lead provided by a friend or relative, 9 percent through newspaper ads, and 8 percent through company contacts. Only 19 percent found employment through a placement service. While all displaced workers use informal channels to some extent, Foltman notes a significant difference in job-seeking behavior between blue-collar and white-collar workers:

> From the responses on job hunting before termination it appears that white-collar respondents approached their problem in a more logical and systematic fashion than the blue-collar respondents; they [white-collar workers] embarked on a job search, sent letters and resumes of experience to employers, and used other public and private services. On the contrary, many of the blue-collar respondents, rather than determining in ad-

26. Stern, Root and Hills, *op. cit.*, p. 112.

27. Portis and Suys, *op. cit.*, p. 19.

> vance what employer needs actually were, applied in person, knocking on doors almost at random to indicate their availability.[28]

Foltman also notes that while white-collar workers tended to maximize their efforts to find the best job available, blue-collar workers, faced with the prospects of continued unemployment, tended to take the first job offered them. This was especially true of blue-collar groups who were older, less educated, and whose finances were severely strained.

Palen and Fahey,[29] in comparing the job search efforts of displaced workers under and over the age of 50, note a decrease in effort among older workers. While 40 percent of the displaced Studebaker workers had applied for 5 or more jobs and 25 percent had applied for from 10 to 20 jobs, workers over 50 generally made fewer job applications. The authors contend that this tendency on the part of the older worker is not due to a lack of interest, but rather to his acceptance of the situation; it is unclear whether or not this is indeed the case, for both factors could be involved here.

Job Search Summary

In summary, the white-collar worker, presumably better informed about the labor market and often able to look for a job on "company time," may concentrate search activities into a period shortly before or after announcement of impending closure. In contrast, the blue-collar worker, less able to search while still employed and presumably strongly motivated by a desire to secure severance pay, is less likely to look seriously for another job before termination. In addi-

28. Foltman, *op. cit.*, p. 68.

29. J. John Palen and Frank J. Fahey, "Unemployment and Reemployment Success: An Analysis of the Studebaker Shutdown," *Industrial and Labor Relations Review*, January 1968, p. 239.

tion, some displaced groups seem more likely to step outside the local labor market for employment. We have a little data on job search mobility, but there are strong theoretical grounds for arguing that white-collar, young and male (or primary income) workers are the most far-ranging in their search. Finally, displaced workers have the opportunity to use formal employment organizations, but participation has remained small for the most part and shows a slight tendency to be comprised of older, high seniority, minority, low-skill workers with inferior education. If the data on the Omaha workers can be generalized, it appears that workers with some disadvantage as compared with others are more likely to choose formal assistance as a way of compensating. While such assistance has provided a modest number of the applicants with jobs, a majority of workers find jobs through other means. While all workers make applications in person and/or rely on friends for leads, white-collar workers undertake a more systematic and organized job search than do their blue-collar counterparts, and older workers appear to make the fewest contacts of all in their efforts to find a job.

Reemployment Experiences

The measure of a successful job search is employment. While we have noted that several worker demographics appear to have an impact on job search, it is equally important to remember that the characteristics of a worker also have an impact on the opportunity for stable employment with comparable income. This section outlines those environmental and personal characteristics that relate to the worker's reemployment opportunities and describe the quality of the worker's post-closing employment.

Other factors besides job search methods and intensity play a large role in the reemployability of displaced workers. Of primary importance is the condition of the local labor market. When demand for labor is high, the displaced

worker can of course secure a new job much more easily than in times of scarcity. In many cases the closing of a large employer in a relatively small labor market, may mean that the number of displaced workers far exceeds the number of available local jobs. As a case in point, Dorsey[10] reports that the number of workers displaced (as a percentage of the total nonagricultural employment in the local labor market) was a determinant in the duration of the unemployment of Mack workers. The worker, no matter how intensive or resourceful his job search, may fail to find a job if few are available.

The strongest association established in the literature between a worker demographic and reemployability has been that of age. In virtually all the studies to date that examine the determinants of reemployability (Dorsey; Aiken, Ferman and Sheppard; Hammerman; McCrea; Shultz and Weber; Turner and Whitaker; Stern; Portis and Suys) the conclusion has been the same: age is negatively related to reemployability. Hammerman[11] notes that, in four out of five case studies he undertook, workers over 45 years of age had significantly higher unemployment rates than did those below that age. In the fifth case, many of the laid-off older workers voluntarily retired, only to reenter the labor force by the time the survey was taken. Where narrower age breakdowns were available, Hammerman found the highest unemployment rates in the 55 to 59 age group. Similar findings were noted by Lipsky:[12] workers over 55 displaced from the Baker plant were unemployed for an average 23.6 weeks, while the average worker remained without work for 18.6 weeks.

Several explanations have been offered, one of the most common being discrimination. Turner and Whitaker[13] could

10. Dorsey, *op. cit.*, p. 199.

11. Hammerman, *op. cit.*, p. 667.

12. Lipsky, *op. cit.*, p. 199.

13. Robert G. Turner and William M. Whitaker, "The Impact of Mass Layoffs on Older Workers," *Industrial Gerontology*, Winter 1973, p. 21.

Summary of Attempts to Quantify the Impact of Selected Demographics on Unemployment

Variable	Lipsky[a]	Dorsey[b]	Palen & Fahey[c]
Age	.3331	.1514	.291
	(.1246)	(.0235)	
Sex (1 = female)	4.2261		
	(2.9696)		
Race			-.085
Seniority	-.2655		
	(.2635)		
Skilled		-3.9408	
		(1.9133)	
Semiskilled		-1.8621	
		(1.7703)	
Unskilled		-2.3444	
		(1.8338)	
Number of dependents	-1.0547		
	(.6302)		
Other weekly income	.0196		.005
	(.0227)		
Wage before termination	-.0448		
	(.0791)		
Education	-.5553	-1.5809	
	(.4850)	(.6402)	
Severance pay	.0003		
	(.0018)		
White collar		-1.2467	
		(1.8054)	
Foreman		-1.4032	
		(2.3444)	
Area impact		57.3002	
		(21.6100)	
Single female		-5.1254	
		(1.9553)	
Occupation			-.079
Married female husband not working		-2.7719	
		(.9371)	

Variable	Lipsky[a]	Dorsey[b]	Palen & Fahey[c]
Single male		-2.7340	
		(1.3194)	
Married male		-4.9338	
wife not working		(1.2002)	
R^2	.19	.298	.132

SOURCES: David B. Lipsky, "Interplant Transfer and Terminated Workers: A Case Study," *Industrial and Labor Relations Review*, January 1970, p. 204.

John W. Dorsey, "The Mack Case: A Study in Unemployment," in *Studies in the Economics of Income Maintenance*, Otto Eckstein, ed. (Washington, DC: Brookings Institution, 1967), p. 199.

J. John Palen and Frank J. Fahey, "Unemployment and Reemployment Success: An Analysis of the Studebaker Shutdown," *Industrial and Labor Relations Review*, January 1968, p. 242.

a. Dependent Variable is number of *weeks* unemployed. Standard errors are in parentheses.

b. Dependent Variable is number of *months* unemployed. Standard errors are in parentheses.

c. Dependent Variable is the *probability of being unemployed.* Regression coefficients are *beta weights.* Standard errors were not given.

find no significant difference in the education or training backgrounds of displaced workers within the 55 to 70 and the 45 to 54 age groups that could account for the differences in their respective employment rates. They conclude that age discrimination is still a leading problem for older job seekers, and that it may take several forms. First, employers commonly see the older worker as less productive than a younger one. While several interest groups and a small body of research have come to the conclusion that this is a misconception on the part of the employer, many employers perceive increasing age as a signal of reduced productivity and are unwilling to hire an older worker. Even if the older worker escapes the unproductive label, he may still have to contend with the stigma of being "untrainable." While Whitaker and Turner[34] and Conant[35] point to the willingness of older workers to undertake retraining, many employers and administrators still believe that "you can't teach an old dog new tricks."

Furthermore, an older worker may be perceived by the company as a "poor investment." The older worker lacks the long-run potential of the younger, and may be denied a job on that ground alone. Financially, the older worker will cost the company in pension contributions and accident insurance coverage rates. Al Slote is concerned with this financial perspective in his book, *Termination,* based on personal interviews with workers displaced in the 1965 closing of the Baker paint plant. Here he speaks of Henry Burns, a healthy 58-year-old displaced worker, who is looking for a new job:

> "The first place I went to was another paint plant, Riis-Moran. I figured they could use a man with paint plant experience but they were all fill' up, they said. Over at Fisher Body I saw they had an

34. *Ibid.*, pp. 14-21.

35. Conant, *op. cit.*, pp. 1300-1301.

opening for a jitney driver. Well, if anyone was qualified to drive a jitney I was the man. I drove jitneys at Baker for almost twenty-five years. . . . They read over my record and told me to come in and take a medical test. The M.D. gave me a test and said my blood sugar was too high. They wanted to know whether I had a history of diabetes. I told them no, but they said they couldn't take a chance on me because of my blood sugar. . . ." One Saturday shopping with his wife, he ran into a guy who used to work at the Baker plant. The guy told Burns he ought to put in another application at Riis-Moran. They were hiring more guys. "Call them again," he said. "It won't cost you anything to call them." Burns decided his friend was right, even though it had only been two months since he'd inquired at Riis-Moran and they had checked over his twenty-six years put in Baker and felt sorry and didn't have a job for him. Still he had nothing to lose, so he telephoned down there Monday morning and talked with the personnel man. They pulled out his old application and after a few minutes studying it, told him to come down and see them. . . . To his amazement they hired him on the spot. . . . When he reported to work the next day there were more papers to sign. And among the things he had to sign he found a waiver of any claims to a pension at Riis-Moran. It was in their labor contract that a man had to have at least ten years' seniority to be eligible for a pension. And compulsory retirement was sixty-eight years of age. "I had just turned fifty-nine two weeks before. So I would just miss out on ten years if I worked to sixty-eight. I'd miss out by two weeks. After twenty-six years I missed out on a pension at Baker by one year, and now if I

> live that long, I'll miss out by two weeks on a pension at Riis-Moran." Burns, who prides himself on planning carefully, on thinking things through, does not see any connection between Riis-Moran turning him down two months ago when he was fifty-eight and signing him on now that he's fifty-nine.[36]

While such a scenario may help to explain part of the discrepancy found between certain groups of older workers, it does not entirely account for the disparity. Yet in some situations, union-negotiated benefits may hurt the older job seeker: pension and medical benefits make the older worker a greater risk or increase his cost to the employer, who accordingly finds him a less attractive candidate for employment.

An increasing number of researchers, especially Lipsky[37] and Portis and Suys,[38] find that seniority may also have a negative effect on the workers' reemployment opportunities. Not only does high seniority imply that a long time has elapsed since a job search, as mentioned before, it may also prevent the worker from looking for a job at the most advantageous time. When a plant closes, the last workers to be laid off are those with the highest seniority. By the time they are released, many lower-seniority workers have already covered the local job markets and taken many of the available openings. While this is a plausible hypothesis, it can also be argued that since the younger, low-seniority workers have more education and other attractive labor market qualities, they might have secured these jobs in any case. If this is true, releasing high-seniority workers first may not help offset the problems they encountered in finding new employment.

36. A. Slote, *Termination: The Closing of Baker Plant* (Indianapolis: Bobbs-Merrill, 1969), pp. 191-194.

37. Lipsky, *op. cit.*, p. 202.

38. Portis and Suys, *op. cit.*, pp. 13-14.

An association has also been established between education and reemployability. While Aiken, Ferman and Sheppard,[39] and Turner and Whitaker[40] find no association between these two variables, primarily due to the unusually similar educational levels among the workers at these two plants, other researchers have found a positive association. In their study of the unemployment determinants of displaced Studebaker workers, Palen and Fahey[41] noted that the greatest portion of the Studebaker unemployed had only a grammer school education. Similar findings were reported by Hammerman,[42] Lipsky,[43] and Portis and Suys.[44] Hammerman noted that displaced workers who had completed high school had substantially lower unemployment rates than those who had not, but observed only a slight difference in the unemployment rates among those who had not finished high school.

While educational attainment is obviously associated with many other variables that affect reemployability (i.e., age and occupational status), Palen and Fahey[45] draw some conclusions as to the effect of education that are consistant with their own findings and those of Hammerman as well. Since a high school diploma is often used as a screening device by employers to weed out workers perceived as untrainable, undesirable, or underqualified, many workers may be excluded without careful consideration being given to their abilities. Thus lack of a formal education may greatly reduce the reemployment opportunities of the displaced worker and increase his length of unemployment.

39. Aiken, Ferman and Sheppard, *op. cit.*, pp. 31-32.
40. Turner and Whitaker, *op. cit.*, p. 17.
41. Palen and Fahey, *op. cit.*, p. 240.
42. Hammerman, *op. cit.*, p. 667.
43. Lipsky, *op. cit.*, p. 199.
44. Portis and Suys, *op. cit.*, p. 15.
45. Palen and Fahey, *op. cit.*, p. 240.

A worker's race may also have a critical effect on his reemployment potential. Palen and Fahey[46] note that at the Studebaker plant in South Bend, Indiana nonwhites had significantly higher unemployment rates than whites. While 39.9 percent of the whites were unemployed four months after the shutdown, 60 percent of the nonwhites were still looking for employment. Aiken, Ferman and Sheppard[47] note a similar result: almost 40 percent of blacks were unemployed 19 months after the closing, compared with only a quarter of the white workers. Almost twice as many whites as blacks obtained jobs immediately following the closing of the Packard Plant.

The most common explanation here is racial discrimination. According to Shultz and Weber,[48] several well-qualified black welders were unable to find employment in the Fort Worth area, although white welders of equal training had little difficulty in doing so. Shultz and Weber could only conclude that racial discrimination was still prevalent in the job market. While one might contend that differences in job-search techniques exist, both Ferman and Harvey[49] and Shultz and Weber[50] point out that minority workers are usually more willing to accept lower-paying or part-time jobs immediately following the shutdown than are whites. This would account for a possible disparity in post-shutdown earnings between whites and blacks, but not a significant employment disparity in favor of whites, given the abundance of low-paying jobs found in the American economy.

46. Palen and Fahey, *op. cit.*, p. 238.

47. Aiken, Ferman and Sheppard, *op. cit.*, p. 133.

48. Shultz and Weber, *op. cit.*, p. 168.

49. Louis A. Ferman and Scott Harvey, "Job Retraining in Michigan," in *Retraining the Unemployed,* Gerald Somers, ed. (Madison: University of Wisconsin Press, 1968), pp. 213-253.

50. Shultz and Weber, *op. cit.*, pp. 97-125.

Racial minorities often carry with them the same stigma as older workers. Many minorities are thought to be less productive than whites by misinformed employers. Also, racial minorities (like older workers) tend to be cast as hard to train or "untrainable," and employers choose white applicants under the assumption that they will avoide excessive training costs. Both these beliefs are sheer illusions, but they can be difficult obstacles to a minority worker seeking reemployment.

Despite the tendency of plant-closing research to center on male-dominated industries, differences in the post-closing employment status of men and women have been observed. In two of the five case studies of displaced workers where meaningful comparisons were possible, Hammerman[51] found female unemployment rates almost three times as high as those of men. In one case, seven out of eight women had been out of work six months or more, compared with one out of three men. In another case, two out of three women were unemployed as compared to one out of four men. And such findings are not unique to Hammerman. Lipsky[52] notes an equally clear disparity at General Foods, where unemployment lasted on the average 24.8 weeks for females and only 16.5 weeks for males. Robert Brandewein,[53] in his study of displaced defense workers, reports the average length of unemployment as 14.3 weeks for men and 23.4 weeks for women.

Whether females carry the same stigma with them as the older or minority worker has not been explored by plant-closing research. It is also possible that supplementary income status may affect job search intensity and thus reemployment success. However, this seems much less likely,

51. Hammerman, *op. cit.*, p. 667.

52. Lipsky, *op. cit.*, p. 199.

53. Robert Brandewein, "Employment Experience of Discharged Defense Workers," *Monthly Labor Review*, October 1965, p. 1213.

since one would assume that the same factors that lead these workers into the labor market initially would remain unchanged by the closing of the plant—and may indeed intensify if the woman's spouse was also employed at the plant. On the other hand, women may have less information about the local labor market and may be experiencing disadvantages similar to those experienced by blue-collar workers relative to their white-collar counterparts. Until plant-closing research deals with these problems directly, we can only conclude that females do experience some form of sex discrimination in their search for post-shutdown employment.

Not only do women experience longer periods of unemployment than men, they appear to be discriminated against on the ground of age at a much earlier point in their lives. Hammerman[54] records that the highest level of unemployment reached by men was between the ages of 55 and 59, but that women experienced peak unemployment between 45 and 54.

Another important characteristic in the search for reemployment is the possession of a transferable skill or skills. In Foltman's study of displaced steel workers,[55] 81 percent of the professional and other white-collar respondents obtained jobs, against 56 percent of the blue-collar workers. Of the latter group, 36 percent of the skilled respondents found employment as opposed to only 20 percent of the unskilled. Hammerman[56] also found a higher unemployment rate among the less skilled workers in each of his five case studies. When hourly earnings were based on skill, it was found that the workers with the highest unemployment rates were those with the lowest earning

54. Hammerman, *op. cit.*, p. 668.

55. Foltman, *op. cit.*, p. 110.

56. Hammerman, *op. cit.*, p. 668.

levels. Aiken, Ferman and Sheppard[57] found that skilled workers averaged seven months unemployment, as compared to 11.5 months for the semi-skilled and 13.8 months for the unskilled worker.

While such employment differentials may be a function of the different occupational status groups, there is no denying that the possession of a transferable skill, in and of itself is a great asset to the displaced worker. Such qualities tend to reduce the on-the-job training time necessary for these workers to begin producing on a profitable basis for their employer. This obviously puts the skilled or high occupational status workers in an advantageous position relative to their unskilled counterparts. It should also be noted that skilled workers qualify for both skill-related and unskilled employment thus increasing the changes of their reemployment relative to the unskilled workers.

In conclusion, it is again worth noting that these distinct demographic characteristics are interrelated. Older workers, simply because of their birth dates, are likely to have less education than their younger co-workers. Because they are also likely to have more seniority, they are apt to be among the last to be released from their job. Thus more than one deterrent to reemployment may be exhibited by a single worker. Such multiple characteristics may also exist for racial minorities, who may not only confront labor market discrimination but may also have received less education than their white co-workers. Females may face sex discrimination in the labor market, and have often been denied access to valuable manufacturing trade skills as well. Such multiple disadvantages undoubtedly reduce the reemployability for each group.

In evaluating the overall economic consequences of local labor market re-entry, it is worth noting that the average

57. Aiken, Ferman and Sheppard, *op. cit.*, p. 32.

length of unemployment for all demographic groups is substantial. In the closings surveyed by this review, the average length of unemployment ranges from 22 weeks for the American Viscose worker to some 16 weeks for workers in the Hammerman study,[58] while Aiken, Ferman and Sheppard found that the average white Packard worker had 10 months of unemployment in the two years following closing. These statistics are in part a reflection of the state of the local economy during the shutdown period. Unemployment was as high as 8.8 percent of the Roanoke workforce during the closing, while Hammerman notes a substantial unemployment rate of approximately 6 percent in all five SMSA's related to this study. Yet, even in times of prosperity, many displaced workers have had difficulty securing employment. Palen and Fahey write that while unemployment in South Bend was only 2.4 percent at the time of the first layoffs, 42 percent had not found work four months after the closing and the unemployment rate had climbed to 9.1 percent.[59] Clearly, unemployment is a possibility for all displaced workers.

If the displaced worker is fortunate enough to secure a job, it is often in a different industry or occupation. Stern[60] notes that only 24 percent of the Armour workers found jobs in the meat industry, while the rest found employment in other areas; McCrea[61] notes that about two-thirds of the Viscose workers found a job in another industry. Such findings are expectable since both studies deal with closings in contracting industries virtually disappearing in this country, many of the displaced workers had little choice but to change industries.

58. Hammerman, *op. cit.*, p. 666.

59. Palen and Fahey, *op. cit.*, p. 237.

60. James L. Stern, "Evolution of Private Manpower Planning in Armour's Plant Closings," *Monthly Labor Review*, December 1969, p. 26.

61. McCrea, *op. cit.*, p. 19.

Yet, even when workers were displaced from industries still dominant in the American labor scene, many of them changed occupations and industries. And, as Hammerman (who echoes the findings of Aiken, Ferman and Sheppard; and of Lipsky) points out, such changes, especially for unskilled and semi-skilled workers, were usually changes for the worse:

> Many of the displaced workers experienced a downgrading of skills. This was more true of semi-skilled than of skilled occupations. While the change in jobs for a majority of workers in the more skilled maintenance occupations generally meant no change in occupations group, in no case did as many as one-third of the machine operators obtain jobs in the same occupational group. Substantial proportions of the operators who were reemployed were working as laborers or custodial workers.[62]

A few studies—Palen and Fahey, McCrea, and Portis and Suys—have also found that some workers became self-employed. The most substantial movement of this sort was at Studebaker, where 17 percent of the displaced workers were self-employed for a time.[63] The authors found that self-employment was no more likely among white-collar workers than blue-collar workers, but that middle-aged workers as opposed to the younger ones were the most apt to go into business for themselves. Unfortunately, we have no documentation as to their relative financial status.

Many displaced workers who secure employment not only experience an occupational downgrading, but a significant income loss as well. Stern, Root and Hills,[64] note that while

62. Hammerman, *op. cit.*, p. 670.

63. Palen and Fahey, *op. cit.*, p. 250.

64. Stern, Root and Hills, *op. cit.*

the average pre-shutdown income for Omaha workers was $8,003, by 1970 their income averaged only $7,359. As one would suspect, the magnitude of a worker's post-closing financial success is directly related to the demographics of the worker. In attempting to quantify the relationship between worker demographics and post-closing income, James Stern[65] undertook a multiple regression analysis of the Kansas City workforce. Age, sex, seniority, and race were all negatively correlated with post-closing earnings while education and skill level showed positive correlations. While each additional year of age cost the worker $50 a year, another year of seniority meant a $63 loss, while females made $2,123 less than males with similar characteristics and blacks made $204 less than whites with the same characteristics. Every year of education improved post-closing income by $122, while skilled workers averaged $1,570 more per year than unskilled workers with the same characteristics. Thus, these characteristics are not only correlated with unemployment duration, but reemployment earnings as well.

The earnings loss described above is not surprising when one considers that the loss of a job often requires that the worker begin at the bottom of the organization again. In beginning with a new employer, the displaced worker loses his/her seniority status and those wage benefits that have accrued to him through his long years of company service. It is also important to note that many workers displaced from manufacturing industries, find employment in the service sector or take a job that requires less skill. Such changes bring with them an unavoidable income decline. While in those few cases where the displaced employee was receiving the highest wage in the area, as was the case at the Mack plant, any subsequent employment in the local labor market will result in an income decline.

65. Stern, "Consequences of Plant Closure," *op. cit.*, p. 9.

A significant number of displaced workers work at more than one other job before arriving at permanent employment. Aiken, Ferman, and Sheppard[66] say that in the two years following the closing of the Packard plant, 35 percent of the workers had been employed twice, while 9 percent had had three different jobs. Other researchers see a similar outcome. Fifty-two percent of displaced Mack workers had secured two successive jobs in the period under study,[67] as had 21 percent of the Wickwire workers.[68] Clearly, for a substantial number of displaced workers, employment security is not necessarily restored when a new job is found.

Summary

Plant-closing research has uncovered a number of relationships among demographics, job search, and reemployment experiences of the displaced worker. While a number of factors appear to affect either the timing, the mobility, and/or the method of job search, many of the same factors also affect reemployment opportunities. High occupational status workers seem not only to engage in a more organized, intense and mobile job search than other groups, but they also have the greatest reemployment potential; other groups, such as older workers, who engage in late-starting, low-mobility and low-intensity job searches also seem to have low reemployment potential. Yet, despite the diversity in job search strategies and reemployment opportunities among demographic groups, the rather high age and seniority levels coupled with the low educational attainment and marketable skills characteristic of most residual workforces involved in plant-closing studies may be responsible for the long periods of unemployment and low-paying, less stable employment experienced by most plant-closing victims.

66. Aiken, Ferman and Sheppard, *op. cit.*, p. 43.

67. Dorsey, *op. cit.*, p. 196.

68. Foltman, *op. cit.*, p. 78.

Chapter 5
Program Participation and Impacts

Several of the plant-closing studies covered in this monograph deal with the impacts of public or private attempts to aid the displaced worker. Four plant-closing programs have received much attention—transfer, retraining, retirement and early retirement, and early notice; other programs, such as blue-collar employment development or extended health insurance coverage, have been suggested or set in motion, but never evaluated. To evaluate properly the results of such efforts, plant-closing research has focused on more than program activities. By examining the unique characteristics of program participants and contrasting their experiences with those of the rest of the workforce, researchers have hoped to assess the true impact of plant-closing policies on displaced workers. Although such assessments have been plagued both by the complexities of the real world and by underutilization of sophisticated statistical techniques, there is still a great deal that can be said about such programs.

Transfer

As a manpower tool, relocation assistance aims to reduce costs and improve benefits associated with transfer and so increase worker mobility. The collectively bargained or company-based transfer assures the displaced worker of a

job should he decide to relocate with the same company. While this assurance greatly reduces the uncertainties of job search, it does not eliminate them, for the displaced worker must still evaluate his chances of finding a job on his own against the company's offer. The question for the displaced worker now is: What are the chances of my finding a better job than the one the company is offering in an acceptable time period? In other words, Is the company's offer the best I can do? The displaced worker may also be confronted with other difficult uncertainties. While assured of a job, he or she may have little information on what the new job would entail or even what the wage rate would be. Crucial privileges gained through seniority may be an issue under negotiation when the decision to relocate must be made. It is clear that a transfer policy may be as problematical as a job search.

Indeed, plant-closing research does offer an instance where the transfer policy implemented created just this sort of uncertainty. At the Mack plant in Plainfield, New Jersey the transfer arrangement that was implemented guaranteed nothing more than a job at Mack's new plant in Hagerstown, Maryland.[1] Management notified the soon-to-be displaced workers that the incentive pay issue would not be resolved for at least two years, that seniority issues would be determined after the move had been completed, and that production standards at the new plant would "be established by the company at a workpace considerably higher than that now prevailing in Plainfield." Faced with such forbidding possibilities and under considerable company pressure to accept termination instead of transfer, only 10 percent of the workforce at Plainfield made the move to Hagerstown. The assurance of a job, in light of a hostile company policy, was not enough to promote increased workforce mobility.

1. John W. Dorsey, "The Mack Case: A Study in Unemployment," in *Studies in the Economics of Income Maintenance,* Otto Eckstein, ed. (Washington, DC: Brookings Institution, 1967), pp. 178-182.

Other transfer arrangements have often been more attractive than those offered at Mack. In his study of the Armour closing at Omaha, Nebraska James Stern[2] credits the implementation of "flowback rights" with the improved transfer participation rates of Omaha workers over previous Armour shutdowns. By giving displaced workers the option of changing their minds during the first few months of employment at the new plant and accepting separation pay, Armour further reduced the risks inherent in transfer by allowing the workers to scout out their new environment and so eliminate the potential cost of lost severance pay should the worker reject transfer. While it was hoped that this arrangement would encourage more workers to accept permanent relocation by offering it on a trial basis, the 17 percent participation rate achieved at Omaha—impressive as compared to previous Armour experiences—cannot be taken as a valid measure of flowback success. As an evaluative measure, comparative participation rate analysis ignores the potential variations in demographic characteristics of the workforce. While it is true that the implementation of flowback rights coincided with an increased relocation rate, variations in age, sex, occupational status, or education might have had some bearing on the rate. Unless the Omaha workforce had the same mobility-relevant characteristics and the same mobility-relevant environmental factors as in previous closings, the isolated effects of flowback rights cannot be properly evaluated. This might better be accomplished by a controlled experiment or some other design capable of isolating flowback rights.

Examination of worker response to seniority retention provisions has led to more significant results. In his examination of General Foods' interplant transfer arrangement,

2. James L. Stern, "Evolution of Private Manpower Planning in Armour's Plant Closings," *Monthly Labor Review*, December 1969, p. 23.

David Lipsky notes the effects of seniority retention provisions:

> It is clear that seniority was an important correlate of relocation. Only by transferring to Dover could the General Foods worker retain the privileges attendant on long service. Seniority also can be viewed as a measure of the worker's loyalty to the company. The plant relocation was a test of his attachment to the company vis-a-vis his attachment to the community. There was a tendency for long years of service to dominate long years of residence in the old area, and thus for seniority to be a crucial variable among those found to be associated with relocations.[3]

Thus General Foods raised the benefits associated with relocation by continuing the worker's accumulated rights. Insignificant in the early years of employment, such rights increase with years of company service and, if Lipsky's analysis is correct, may offset community attachment. As a result, seniority retention may improve the mobility of the long term employee and of the older worker with these characteristics. While the large disparity in community attachment between transferees and terminees (29.9 years residence to 41.6) seems to weaken Lipsky's claim, both the higher mean seniority of the transferees (16.1 compared to 13.1 years for terminees) and the relatively low age differential between those who did and did not participate, supports this hypothesis.[4] If Lipsky's findings are valid for most displaced workforces of high seniority, the mobility gains induced by seniority retention provisions could be significant.

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3. David B. Lipsky, "Interplant Transfer and Terminated Workers: A Case Study," *Industrial and Labor Relations Review*, January 1970, p. 195.

4. *Ibid.*, p. 194.

The unusually small age disparity between terminees and transferees and the highest participation rate described in the literature (22.7 percent) experienced at General Foods, despite the generally immobile character of the workforce,[5] suggests a need to tailor transfer policies to the specific characteristics of the *displaced* workers. Yet, while General Foods speaks of seniority retention and Armour of flowback rights, plant-closing research lacks documentation of a fully implemented transfer policy consciously designed to meet the needs of a specific workforce. Despite the characteristically high age, low educational attainment, and relatively low skill level of the residual workforce (the workers who withstood early contractions of the firm and remained until the closing and phase-out period), no combination of transfer provisions designed to increase the participation rates of all characteristically immobile groups within a specific workforce has been documented. Despite the industrial relations problems of implementing such a comprehensive program and the relatively minor costs of persuading low occupational status workers to relocate by the use of flowback rights or the long term employee by means of seniority retention, the costs associated with attracting all immobile workers to relocation may be prohibitive. While transfer arrangements have indeed furnished relocation allowances ranging from $1,000 and one weeks' pay at General Foods to $200 at Mack, it may not be possible for any transfer policy to counteract all the obstacles to relocation mentioned by Hammerman:

> Two cases involving interplant transfer cast some light on inducements and obstacles to worker mobility. Only the guarantee of transfer with full seniority rights was sufficient to induce substantial numbers of displaced workers to relocate. Even in

5. *Ibid.*, p. 193.

this case, some four out of five did not accept relocation. Relatively few workers were willing to transfer with accumulated rights to pensions, vacation, and other economic benefits, but with no seniority rights on layoffs. A study of the characteristics of the transferees indicates that other inducements to relocate were the need to conserve rights to pensions and other employee benefits, fear of age discrimination, and the economic pressures of large families. Obstacles to mobility included the secondary role of the wife's job in the family, home ownership, family and social ties, children in school, fear of future layoffs, and the high costs of transfer. Apart from costs of relocation, many transferred workers found it necessary or expedient to maintain two homes and to commute between areas on weekends, at least in the first year after transfer. Some complained that tax laws worked in favor of the companies which could write-off the cost of their move, while transferring workers received no deductions whatsoever.[6]

A depressed housing market is common in areas losing a major employer, and a transfer policy committed to high worker participation may have to protect workers against this contingency. The costs here are so heavy that attempts to induce workers with strong attachment to their community or to a growing family to move may be financially impossible for the company. Unless all the costs are absorbed, the transfer option, despite efforts to tailor provisions to worker needs within budgetary constraints, is likely to continue to be the optimal labor market strategy of only about 20 percent of any given displaced workforce.

6. Herbert Hammerman, "Fire Case Studies of Displaced Workers," *Monthly Labor Review*, June 1964, p. 668.

As Lipsky notes, one problem associated with the evaluation of assisted relocation is that the workers who accept relocation possess the characteristics most strongly associated with successful reemployment, while those who choose termination have the opposite characteristics.[7] Stern attempts to resolve this difficulty by using a multivariate regression analysis and concludes that, for those males who transferred, relocation resulted in an annual income gain of $3,093 over those males who reentered the labor market.[8] However, Stern admits that factors outside his regression analysis may reduce this disparity. If transferees have some skills outside the skill measure or other yet undetermined qualities, the disparity observed at Kansas City may be reduced. Handicapped by lack of conclusive research and lack of theory, one can only conclude that the post-closing incomes of transferees seem to be substantially larger than those of their terminated co-workers. The determinants of the disparity may not be completely identified.

Many workers do indeed return to their former locality shortly after participating in a transfer program. Stern found that 15 percent of the Omaha transferees exercised their flowback options and returned home, as did 20 percent of the transferees at Kansas City.[9] For these workers, the financial benefits of relocation never compensated for the loss of their familiar surroundings.

In conclusion, the decision to transfer prompts the worker to assess the personal costs and benefits associated with it. For those who are older, have a low occupational status, little education, or are secondary wage earners, personal barriers inhibiting job search mobility are unlikely to be over-

7. Lipsky, *op. cit.*, p. 206.

8. James L. Stern, "Consequences of Plant Closure," *Journal of Human Resources*, Winter 1972, p. 14.

9. Stern, "Evolution of Manpower Planning," *op. cit.*, p. 23.

come by even the best theoretically designed and well-funded of transfer policies. On the other hand, for the worker who is characteristically mobile and would probably be the most successful in a job search should no assistance exist, transfer programs allow maintenance of income, while allowing the company to retain its most desirable workers. Such observations and findings lead to our present conclusion, echoed by David Lipsky:

> If one can be permitted to generalize, the following appears to be true: workers most likely to benefit from the protection of an interplant-transfer system were least likely to exercise the option of relocation. Workers who least needed the protection were most likely to move. It follows that if the General Foods experience is any guide, the use of an interplant-transfer system can serve only as a *limited* way of avoiding the hardship of worker displacement after plant shutdown. It would be better from the viewpoint of the workers affected by plant shutdowns to offer them greater protection for the period following their displacement, rather than to devote corporate resources to the enhancement of relocation opportunities. In particular, in such situations, companies and unions should devise special policies to handle the problem of the displaced older worker [and other disadvantaged groups] in the labor market. For example, extension of company-supported health insurance beyond termination would be a particularly valuable form of protection for the older worker.[10]

Retraining

In seven of the 27 closings, terminated workers were given the opportunity to retrain. The decision to accept or reject

10. Lipsky, *op. cit.*, p. 206.

the training course may be regarded as a function of the costs and net discounted value of any future income stream attributable to the knowledge and skills gained. As James Stern writes:

> Training seems less attractive to an individual when there is a job available for him that in his opinion will probably be as satisfactory as the job he might obtain after training.[11]

Therefore, in making his assessment, the terminated worker must weigh his present saleable job skills against the improvements in those skills that should be provided by retraining; if this income-producing ability will be improved in excess of costs, he then will accept the option. Notice that such a decision does not assume a permanent job change or a commitment to a new occupation following completion of the course. The benefits of retraining may enlarge the spectrum of job opportunities, since income gains may accrue from alternating between jobs requiring his new and old skills in response to market conditions. The appropriate evaluation is determined by maximizing the future revenue stream in the light of added opportunities.[12] But if the worker believes that the benefits associated with training will not offset his costs, theory suggests that he will reject retraining.

While theory also suggests that certain demographic groups would be more likely than others to accept retraining, plant-closing research has established no relationship between worker demographics and the decision to retrain that parallels the degree of association observed between worker demographics and the decision to relocate. The difference may be due to two factors. First, only two plant-closing

11. Stern, "Evolution of Manpower Planning," *op. cit.*, p. 24.

12. Herbert Chesler, "The Retraining Decision in Massachusetts," in Gerald Somers, ed., *Retraining the Unemployed* (Madison: University of Wisconsin Press, 1968), p. 151.

studies (Shultz and Weber,[13] and Stern, Root and Hills[14]), have devoted any resources to documenting this relationship. Second, the data used in these studies describes the characteristics of only those workers in training programs and not of those who were genuinely interested in retraining and would have accepted it if it had been offered. Both factors must be considered when examining the relationship between worker demographics and the decision to retrain.

The most statistically significant association between individual characteristics and the decision to retrain established in the plant-closing literature is that of sex. While females at Oklahoma City, Sioux City, and Fort Worth comprised only about 15 percent of the total workforce, they comprised 35 percent of the retrainees at Sioux City and 40 percent at Fort Worth and Okalahoma City.[15] Two possible explanations exist for this relatively high percentage. First, the costs of retraining may be lower for females. If most of them are not primary income-producers in the family, economic pressures may be lessened and training more feasible. Second, Ferman and Harvey[16] suggest that, with the increasing demand for labor in the service sector of the economy, retraining courses have often been geared to such jobs, which often pay less and may be less attractive to a family head. In other words, the unusually high percentage of women in retraining programs may be a function of the type of course offered.

Another pertinent characteristic of the retrainee is age. While the displaced workers at Oklahoma City, Sioux City,

13. George P. Shultz and Arnold B. Weber, *Strategies for the Displaced Worker* (New York: Harper and Row, 1969).

14. James L. Stern, Kenneth A. Root, and Stephen M. Hills, "The Influence of Social-Psychological Traits and Job Search Patterns in the Earnings of Workers Affected by a Plant Closure," *Industrial and Labor Relations Review*, October 1974, pp. 103-121.

15. Shultz and Weber, *op. cit.*, p. 8.

16. Louis A. Ferman and Scott Harvey, "Job Retraining in Michigan" in Gerald Somers, ed., *op. cit.*, p. 223.

and Fort Worth had mean ages of 47, 46, and 49 respectively, Shultz and Weber found that workers enrolled in retraining programs averaged only 45, 42, and 42 years of age.[17] This age disparity is also observed by Stern, Root and Hills; the averge age of the Omaha workers was 39, while that of the Omaha retrainess was only 36 years.[18]

Explanations for this disparity come from outside the plant-closing context. First, older workers, with fewer work years left to them, have a shorter time to accumulate the benefits of retraining and its incremental income gain. Therefore, for the older worker, the income disparity attributable to retraining must be great enough to offset its costs in a shorter time than for the younger worker. Second, as Herbert Chesler points out,[19] relatively older workers place a higher value on present income and consequently are more reluctant than younger workers to forego income while they retrain. Third, as Chesler also points out, the older worker may reject the opportunity to change occupations because of sociopsychological personality aspects. Often an older worker has spent an entire working life at one trade or occupation and is reluctant to change the job he has identified with over the years. Finally, the probability that an older worker will find training-related employment is much less than in the case of a younger worker. Lack of experience in a new occupation, if coupled with age, would place an older worker farther back in an employer's labor queue than a younger trainee, who may lack experience but offers the employer potentially a longer period of service. In summary, increased age not only reduces the benefits associated with retraining but increases the costs. With less time remaining and less chance of training-related employment, the older

17. Shultz and Weber, *op. cit.*, pp. 127-132.

18. Stern, Root and Hills, *op. cit.*, p. 112.

19. Chesler, *op. cit.*, p. 153.

worker cannot realize the maximum benefits of retraining, and attachment to a familiar occupation and to a present income increases the costs to be taken into account.

Educational status may also have an impact on the decision to retrain. Retrainees at both Sioux City and at Oklahoma City were slightly better educated than either workforce as a whole, with an average ninth-grade education as compared to .3 years less for the total workforce.[20] Such a mild disparity is also reported by Stern, Root and Hills for Omaha, where the average retrainee had 10.2 years of education compared to 9.9 years for the workforce as a whole.[21]

While such small discrepancies may indeed be statistically insignificant, there are sound theoretical reasons (again developed outside the plant-closing context) for suspecting that better-educated workers are more amenable to retraining because they are more aware that education is important for success. Thus the better-educated workers tend to place a higher value on retraining, seeing it as a way to improve their qualifications and their chances for higher-status jobs. Although plant-closing research has yet to establish this connection, at least for those displaced workers, however few, who have received a good education the perceived benefits of retraining may be higher, thereby increasing the likelihood that the worker will accept the retraining option.

On the other hand, the differences in age and education noted above may be due to the training program's screening policy. Less educated or older workers may be viewed as poor risks by program administrators and may be denied retraining in favor of better educated or younger workers whom administrators feel have a better chance to complete the program and secure stable training-related employment. If this is the case, the observed difference in age and educa-

20. Shultz and Weber, *op. cit.*, pp. 102-128.

21. Stern, Root and Hills, *op. cit.*, p. 112.

tion between the training group and the workforce as a whole is not related to worker preferences, but instead to administrative decisions.

Other demographic variables, unexplored in the plant-closing context, may also influence the retraining decision. The way in which the displaced worker perceives his own education is important, and such perceptions are based on past experience. Those workers who were refused a job in the past because they lacked the necessary skills for the job are more likely to place a higher value on retraining. The worker who realizes the necessity of being properly equipped to enter the job market has an increased appreciation for training. But the displaced worker, suddenly cast into the job market after several years of employment with the same company, may have no such awareness, since he has functioned as an accomplished wage earner, whatever his education.[22] If the worker entered his last job without a high school education, why should he not repeat the performance? Under such conditions, the perceived benefits of retraining are likely to be very low, and if so, the chances of his accepting retraining are apt to be small.

It has been hypothesized that married men may be less willing to retrain than unmarried men, although if the latter have working wives the generalization does not hold true. No evidence yet presented supports this hypothesis. Weber[23] finds that the majority of retrainees are married, but Chesler[24] finds no relationship between marital status and acceptance of training. Chesler regards the final decision to enter retraining as a personal one rather than one based on

22. Average seniority in the studies covered by this monograph ranges from about 30 years at Roanoke to 11 at Omaha.

23. Arnold E. Weber, "Experiments in Retraining: A Comparative Study," in Gerald Somers, ed., *op. cit.*, p. 266.

24. Chesler, *op. cit.*, pp. 157-159.

status as a single unit, as economists often define the married state.

In conclusion, there are several groups of workers who may be identified as likely to accept retraining. Like job search mobility, these demographic characteristics affect the perceived costs and benefits that the worker associates with retraining. For the older, poorly informed, poorly educated or family head, the benefits of retraining are seen as relatively low and the costs relatively high. Since significant numbers of displaced workers show at least one of the characteristics negatively correlated with the decision to retrain, retraining program administrators have introduced several policies designed to reduce costs or increase benefits. One feature common to all the retraining programs discussed in the literature is predisplacement counseling, which serves two purposes. First, counseling has been used as a screening device, matching "retrainable" workers' interests and capacities; Shultz and Weber[25] found this device necessary to maximize program resources and worker potential. Counseling can, of course, also be used as an educational tool to increase the worker's awareness as to the value of retraining, and may actually swell the numbers of workers entering retraining. This latter hypothesis has yet to be tested.

Placement is another benefit-increasing policy explored in retraining. Placement of a worker during the training period offers the additional benefit of having an agent who will assist in an early job search. As Shultz and Weber note below, such assistance can be of great value to the trainee, particularly in a new field.

> Following an initial failure to obtain a training-related job, a worker was reluctant to follow-up any subsequent opportunities calling for his newly

25. Shultz and Weber, *op. cit.*, pp. 150-153.

> acquired skills. Several persons who had found unrelated jobs failed to follow-up such leads from the committee and other sources, but chose instead to keep the jobs they had. *Inertia, uncertainty,* and the usual range of factors favoring immobility obviously overbalance any anticipated gains from a job more closely related to training. Ideally, then, intensive efforts to place the retrainees on appropriate jobs should begin before the worker ventures out into the labor market. Otherwise, a cautious self-interest may cause him to retain any job which affords some income and security.[26]

Obviously any benefits perceived by the workers are related to faith in the placement program and its administrators. Without a successful placement record, the program might look to the potential retrainee like an empty promise until it has proved its value.

Policies have also been designed to reduce the costs of retraining. Tuition payments, subsistence stipends, travel allowances, and loan guarantees have all been used to reduce retraining costs. At Armour, the only extensive retraining programs documented in the literature, enough aid was usually distributed by the Automation Committee to offset the entire costs of tuition and transportation. Yet the financial benefits proved insufficient for some family breadwinners even after subsistence allowances were added. As Shultz and Weber describe:

> The most significant addition to the financial resources available to retrainees consisted of subsistence allowances. Under the provisions of MDTA, workers enrolled in an approved government course who were also heads of households

26. Shultz and Weber, *op. cit.*, pp. 164-165.

drew a "training allowance" equal to the average unemployment benefit amount paid in the state in the quarter preceding payment of the allowance. This allowance was payable for a maximum of fifty-two weeks and averaged approximately $32 per week for trainees in Iowa. These allowances had an extremely salutary effect; among other things, they made it possible for trainees to pursue a full-time program without jeopardizing an important source of income. Nonetheless, as originally constituted, the subsistence allowance was not an unmixed blessing. First, allowances were the same for each trainee regardless of the number of dependents. For persons with large families, $32 was generally insufficient support over the long period required to complete many of the courses. Second, if a retrainee sought to augment his income by part-time employment, deductions were made from his allowance on the basis of the number of hours worked.[27]

Just how effective these forms of financial assistance have been in improving retraining participation rates is difficult to evaluate. Without a control group, we can make few inferences. While participation at Sioux City was slightly greater than at other Armour closings, any significant differences in the workforces could invalidate the apparent impact of the program.[28]

Still other policies have been tried in an attempt to reduce the costs of retraining, the most common of which has been reduction of training time. The more rapid the retraining course, the less time a worker may have to forego full-time

27. Shultz and Weber, *op. cit.*, p. 148.

28. Shultz and Weber, *op. cit.*, p. 134.

employment. Another cost-reducing measure is to offer evening courses, making it possible for many trainees to work during the day, or to collect unemployment benefits. Many states refuse to pay unemployment insurance to members enrolled in day training courses because they are not available for work. Since no systematic evaluation of either of these policies has been made, it is not known whether they have increased retraining participation rates.

While the actual effect of each benefit-increasing or cost-reducing policy is unknown, it is clear that most displaced workers do not turn to retraining. Participation rates range from 16.4 percent at Fort Worth[29] to only 6 percent of the workforce at Kansas City.[30] Low participation rates may be due in part to the financial and emotional strain of retraining and to the inadequate financial support offered:

> . . .Training is generally an arduous experience for the unemployed worker, and can scarcely be considered institutionalized malingering. Even with the financial support available to trainees in Sioux City, many men and their families were forced to make genuine sacrifices in order to capitalize on this opportunity for self-improvement. Moreover, the hard economic facts indicate that this price of low support in a lengthy program is a high dropout rate, which wastes the resources already invested from public or private funds and by the trainee himself.[31]

Simply put, unless they are given substantial financial support, the number of retrainees is likely to be small and the number of dropouts high. Such an investment would be wise only if the social benefits of retraining are greater than the

29. Shultz and Weber, *op. cit.*, p. 130.

30. Stern, "Evolution of Manpower Planning," *op. cit.*, p. 26.

31. Shultz and Weber, *op. cit.*, p. 150.

social costs. Evaluating retraining programs has been difficult because information is often lacking about the specific goals or intended benefits of a program. However, even where program administrators have a sound understanding of potential benefits, we still have no research that presents a cost-benefit analysis of any retraining program for displaced workers.

To the terminated worker interested in reemployment, the only relevant criterion for the value of retraining is the incremental benefits it provides over other options. Despite the dangers in comparing nonequivalent groups, studies do note that retrainees are unemployed for a shorter time than non-retrainees. At Fort Worth, 90 percent of those workers completing retraining were employed within a year to 18 months following completion of their courses, while non-retrainees maintained a 40 percent unemployment rate at the end of this period.[32] A disparity was also found at Sioux City, but a smaller one: only 28 percent of the non-retrainees were unemployed after 18 months, compared to 20 percent for retrainees. While such data appear to support the benefits of retraining, it is again unclear as to whether the unemployment differential is due to the value of retraining or to the favorable characteristics of the retrainee group. Shultz and Weber do break down the data on employment rates of retrainees over non-retrainees by age and race, but other demographic factors need to be isolated and studied.

In defense of the proposition that retraining improves employment opportunities, Stern[33] found that 88 percent of the *employed* trainees in Omaha found work directly or indirectly related to training. Results are almost as impressive at Fort Worth, where Shultz and Weber[34] indicate that 77

32. Shultz and Weber, *op. cit.*, p. 157.

33. Shultz and Weber, *op. cit.*, p. 25.

34. Shultz and Weber, *op. cit.*, p. 163.

percent of the trainees found work in a training-related field, while Conant[35] documents that in Sioux City 55 percent of the retrainees had the same experience. Although these figures illustrate substantial occupational mobility, they do not prove that the retrainee would not have found a job, or even the same job, without training. Nor does it prove that the training-related job was the one with the greatest potential that the worker could obtain. Given these uncertainties, to draw any conclusions about the effectiveness of retraining as an unemployment-reducing or employment opportunity-expanding tool would be unwise.

Only limited work has been done on the impact of retraining on worker income. While Shultz and Weber[36] note a $2.00 per week gain in income for Sioux City retrainees over non-retrainees, the only multivariate analysis of such a relationship was done by Stern at Kansas City.[37] There it was found that the average Kansas City retrainee had an income of $303 a year less than those who chose the market option! Such a result, Stern writes,

> . . .Raises the suspicion that short-term training may lead more of these individuals into low-paying occupations than would have occurred without retraining.[38]

An alternative hypotheses also exists. When there is little demand for labor, retraining may simply delay entry into the workforce and thus prevent the worker from competing for the few high-paying jobs available. Therefore, it is possible

35. Eaton H. Conant, "Report and Appraisal: The Armour Fund's Sioux City Project," *Monthly Labor Review*, November 1965, p. 1301.

36. Shultz and Weber, *op. cit.*, p. 169.

37. Stern, "Consequences of Plant Closure," *op. cit.*, p. 12.

38. Stern, "Consequences of Plant Closure," *op. cit.*, p. 8. It should also be noted that part of this result may be due to the fact that Stern's analysis uses retrainees who sought placement services. See p. 17.

that Sioux City trainees may have benefited from an improving economy at the end of their training,[39] while trainees at Kansas City may have been released into the job market at a time of local contraction[40]—at least a plausible partial explanation. Alternatively the Kansas City program may not have had a firm grasp of local labor market needs. In fact, the literature mentions attempts by other administrators to analyze labor needs in the local community, but such efforts are so often hampered by lack of time that they may finally consist of scanning the want ads. Without foresight into future needs, the retraining program is in the precarious situation of training workers for jobs that may not exist by the time the program ends, a situation that may also be responsible for disparities between programs.

Retraining programs have not overcome the classic income differentials experienced by distinct demographic groups. As Shultz and Weber found, men undergoing retraining earned more than females and whites earned more than minorities:

> . . .There was also considerable variation in the experience of different elements in the retraining group. As indicated above, women fared considerably worse than men. Moreover, for the minority groups at Forth Worth, decrease in earnings was more precipitous than retrainees who did not face discriminatory barriers. Thus, the average hourly earnings of Negroes and Latin Americans were consistently below those of white trainees. Some of these may reflect differences in education and in the nature of the retraining program selected.[41]

39. Shultz and Weber, *op. cit.*, p. 166.

40. Stern, "Consequences of Plant Closure," *op. cit.*, p. 17.

41. Shultz and Weber, *op. cit.*, p. 168.

Such a statement opens up the issue of whether certain demographic groups are steered into low-paying training-related courses more often than others.

In summary, retraining provides those workers who are younger, slightly better educated, and relatively secure financially the opportunity to learn additional skills that can be used to secure a new job. However, despite the attractive provisions included in the most worker-responsive training programs, the unfavorable demographics of the displaced workers, coupled with inadequate financial assistance for them, have limited participation to about 15 percent. Just how successful retraining programs have been in reaching the goals of reduced unemployment, increased job potential and improved earning ability is unknown. While much evidence has been presented in the literature in support of each of these objectives, the fact is that the few available evaluations (with exception of Stern) are methodologically adequate and do not permit a decisive statement about the benefits of retraining the displaced worker.

Retirement and Early Retirement

Plant-closing research has, for the most part, considered retirement and early retirement as ways to provide the older, long-service worker with some form of income maintenance. Stern states:

> . . .This benefit [special 1.5 retirement benefit] instituted in 1961 to help older long service workers who were expected to have greater difficulty finding new employment than younger short-service workers, has proved very helpful.[42]

As with relocation and retraining decisions, the decision to retire can be considered a cost-benefit analysis of this

42. Stern, "Evolution of Manpower Planning," *op. cit.*, p. 23.

specific labor market strategy. The decision to accept retirement benefits does not require that the individual retire from the labor force completely. Since none of the pension plans surveyed imposed restrictions on the type or number of hours of work a displaced worker accepting retirement benefits could undertake, the worker qualifying for the retirement plan simply receives a guaranteed income flow after displacement from the plant. Therefore, within the plant-closing experience, the decision to accept retirement benefits and the decision to retire are two separate issues. First, the decision to accept retirement benefits, requires a very simple analysis if the worker is well informed about the benefits available. Since there is no benefit to be gained from rejecting the company's offer, nor any costs associated with accepting it, it is unlikely that any qualified individual would decline retirement benefits. The only demographic characteristics associated with the decision are those necessary to qualify the worker for its acceptance. At Armour, this option was open to workers between the ages of 55 and 65 with a minimum of twenty years of service. The pension plan covered 101 workers at Fort Worth, 110 at Sioux City, 100 at Mason City and 260 at Omaha.[43]

For those workers between the ages of 55 and 62, who had the same required seniority, the pension benefit was 50 percent greater than the amount normally paid to employees in this age category. The income allowance, which provided qualified Armour workers at Omaha with $150 per month, was used by 46 workers at Fort Worth, 54 in Sioux City, 68 in Kansas City, and 126 at Omaha.[44] Although this is a sizable sum, many Omaha workers deemed it desirable to supplement their retirement benefits with a wage. Thirty-three of the forty-two 1.5 pensioners who found employment

43. See Stern, "Evolution of Manpower Planning," *op. cit.*, p. 23 and Shultz and Weber, *op. cit.*, pp. 151-153.

44. Stern, "Evolution of Manpower Planning," *op. cit.*, p. 23.

with other Omaha firms reported an average post-shutdown wage of $2.22 per hour. For those workers who were able to find a supplementary job, the total monthly income from their two sources was only slightly less than that earned on the pre-shutdown Armour job.[45] For these workers then, the combination of pension and job put them at an income level appreciably higher than the average worker who accepts training or direct labor market entry.

Stern[46] points out that the 1.5 pension benefits offered to workers between the ages of 55 and 62 did not seem to cause appreciably more people to withdraw from the labor force than otherwise would have been expected in a relatively tight labor market. The statement implies that even the 50 percent extra benefit was not enough to maintain the worker's accustomed standard of living and that labor market re-entry was still essential. While the benefit surely alleviated some financial burdens faced by the displaced worker, apparently a number of people felt it did not completely compensate them for loss of employment. Pension benefits may provide the worker with some income maintenance, but for many of them it simply was not enough.

But in the cases of 84 of the 1.5 pensioners and an undisclosed number of the regular retirees who either did not look for work or failed to find it and subsequently retired, plant-closing research offers no explanation for their decision. The number of retirees who fall into each of the above categories is unknown, but we do know something about their characteristics. The most interesting of these applies to the worker who, for some reason or another, decides not to look for new work after receiving pension benefits following displacement. Barfield and Morgan[47] identify some of the

45. Stern, "Evolution of Manpower Planning," *op. cit.*, p. 23.

46. Stern, "Evolution of Manpower Planning," *op. cit.*, p. 24.

47. Richard Barfield and James Morgan, *Early Retirement the Decision and the Experience* (Ann Arbor: Institute for Social Research, The university of Michigan, 1969).

characteristics associated with the decision to retire permanently. While these decisions do not deal with a plant-closing experience, many of them may be tentatively applied to workers who did not look for a job after accepting retirement benefits.

Of primary importance is the worker's perception of adequate financial resources, including retirement benefits. Those workers who see their financial resources as providing them with a comfortable retirement are of course the ones most likely to retire. Perceived financial security, then, put into terms of a cost-benefit analysis, reduces the costs of retirement by relieving financial pressures. Barfield and Morgan note that the retirees and potential retirees surveyed in 1967 felt it necessary to be assured of approximately $4,000 a year before they could enter retirement.[48] While such a threshold figure is not constant, it does give some idea of the figure the worker feels he should have at retirement.

A closely related factor is the number of dependents the worker must support after retirement. While Barfield and Morgan considered this point less statistically significant than financial resources in the decision to retire, the effect was expectable: the more dependents the worker had, the less likely he was to retire.[49] This is a characteristic that demands a retirement income sufficient to support the customary standard of living of the retiree and his family.

Another correlate with post-retirement security and the retirement decision is the presence or absence of a home mortgage. Mortgage payments increase the financial costs of retirement and often postpone a worker's retirement until the debt is paid off. Here too there was a much weaker association with the decision to retire than in the case of expected post-retirement income.

48. *Ibid.*, p. 14.

49. *Ibid.*, p. 14.

However, a worker may still choose to retire even if he feels his financial resources are inadequate to support a customary standard of living. A critical determinant in the decision to retire is the worker's perception of health. For those workers perceiving themselves to be ill, the decision may be forced upon them. Furthermore, a worker may reject retraining programs, relocation, and labor market re-entry on the grounds that the physical demands would be too great. This characteristic reduces the benefits associated with all other labor market strategies and leaves only retirement as an acceptable choice. If many mental health and health researchers are correct in believing that job displacement is a stressor that may actually cause illness to surface,[50] theoretically the number of displaced workers falling in this category could be substantial. No firm evidence exists, but if such outcomes are significant among displaced workers, perhaps some sort of medical insurance should be provided in the hope of easing the financial burden of health care and facilitating the return of the worker to the workforce.

Unsuccessful job seekers constitute a second group of displaced workers who accept retirement benefits and then withdraw from the labor force. Faced with extended periods of unemployment after displacement, unwilling to accept the stigma of unemployment, and lacking other alternatives, these workers simply withdraw into premature retirement. Workers who customarily find it difficult to become employed, as we shall discuss in the next section, are more likely to fall into this category than their more advantaged co-workers.

In summary then, three groups of workers accept retirement benefits and then choose not to return to the labor force. First, those workers who perceived benefits as ade-

50. M. Harvey Brenner, *Mental Illness and the Economy* (Cambridge: Harvard University Press, 1973).

quate to support their customary standard of living, given the number of dependents and financial obligations they have at the time the decision is made. Second, those who, faced with perceived disability, remain out of the workforce for "health reasons" and accept retirement as the only solution to their displacement. Third, those who do not find a new job and resign themselves to retirement through sheer discouragement and low self-esteem.

While we have virtually no information on the economic outcomes for workers who choose retirement after being displaced from their jobs, the findings of Barfield and Morgan[51] allow us to speculate on the subject. Of primary importance to the plant-closing experience is the relationship between post-retirement security and pre-retirement planning. Simply put, those workers who are able to plan for retirement are much more likely to have an enjoyable retirement than those who are forced into it either through personal illness or company action. Given the limited time permitted by most plant closings for the worker to plan for the future, the displaced worker will be less prepared for retirement than the average worker, and therefore more likely to have an unsatisfactory retirement. For the worker who is sick or unable to find employment, retirement is not a solution but another facet of the problem.

Even the worker who retires from the labor force after careful consideration and with adequately perceived finances cannot count on security. Since the retiree depends on fixed pension payments, unexpected inflation can greatly reduce buying power and put a financial strain on retirement income. Many retirees have attempted to re-enter the labor force under these conditions only to find that their retirement status has added to their undesirable labor market characteristics to such an extent that securing another job is

51. Barfield and Morgan, *op. cit.*, pp. 53-59.

almost impossible. Therefore, while retirement may seem an affordable luxury to some displaced workers, in the long run it may prove the wrong course for many of them.

In conclusion, two types of workers accept pension benefits. The first sees the benefits as providing some income maintenance but believes it necessary to continue to work in order to maintain financial stability. The second, either because benefits are perceived as adequate or for other reasons, decides to retire from the labor force. Although Armour workers of the first sort achieved an income level after displacement comparable to their former level,[52] evidence in the retirement literature indicates that the second type may fare less well. The plight of the ill, unemployed, or inflation-stricken worker remains one of income deficiency despite the aim of pension plans to provide a subsistence income. Pension plans, while they have helped to reduce the financial burdens of the retired, are sometimes inadequate.

Three policies are needed to relieve the financial pressures displacement brings to these groups. For the ill, or those who perceive themselves as ill, some form of medical insurance may reduce the costs of health care and help bring a speedy recovery and allow the worker to return to the workforce. For the inflation-stricken retiree, unable to find a supplementary job, a cost of living clause in the retirement arrangement would seem the optimal aid.[53] And finally, for those workers characterized by long periods of unemployment, there is no adequate substitute for jobs; perhaps employment subsidized or sponsored by the government is the answer. Until further research is undertaken in this area, programs and policies will be based on informed guesses and will have limited effectiveness.

52. Stern, "Evolution of Manpower Planning," *op. cit.*, pp. 23-24.

53. The UAW has sought just such a clause in its recent bargaining round.

Early Notice

The subject of early notification has arisen in several contexts throughout this volume. The fact that advance notification, as it is also called, is a recurrent topic reflects its importance as a rhetorical rallying point, rather than its demonstrated effectiveness.

It is generally supposed that two kinds of benefits to displaced workers are associated with early notice. The first is directly. Early notification gives necessary lead time to agencies and groups that provide vital services to the displaced workers. Lead time is crucial in the development of appropriate needs assessments and inventories of resources for both workers and the community. Without it, the quality of the planned intervention will be diminished and the benefits to the displaced worker proportionately limited.

It is also argued that early notice has a direct positive effect. It can give workers a chance to find new employment before the permanent layoff and thereby reduce or avoid a period of unemployment. Of course, this hypothesis assumes that workers will use the early notice period to conduct job searches; otherwise the advantage of early notice would be lost.

Substantial variations can be found in the 27 closings examined in this review with respect to early notice. Only the Armour studies consider the effects of advance notice on program implementation and effectiveness. Both Stern and Conant speak of the importance of the ninety days' early notification for the development of the Automation Fund program, arguing that this period allowed time for a permanent program staff to be assembled and for placement possibilities to be explored before the closing. However, just what impact this arrangement actually had on the success of the Automation Fund's program is not clear. A

methodology is needed to isolate the effects of advance notice on the Automation Fund's program and one to assess the operation of an identical program without early notice if we are to evaluate the benefits claimed by Stern and Conant.

Portis and Suys provide some data about the direct effect of advance notice in a plant closing where no specially developed programs to assist displaced workers were mounted. At Kelvinator in London, Ontario the year-long early notification period was not utilized by all workers in the same manner. Approximately 26 percent of the production workers found jobs during that period and left before closing. Some 15 percent of the workers used the period to line up jobs which they took directly after the closing.[54] The authors stress the fact that production workers over 40 find it difficult to find new employment under ordinary circumstances, and they attribute the relative success in job search here of an older group (average age 44 years) to advanced notification.[55] While it is obvious in the Portis and Suys study that the early notice period was useful for concluding the closing agreement, it is difficult to attribute benefits, particularly job search success, to early notification in this instance. Without a comparative perspective, notably an assessment of the success of job search among similar workers without advance notification, no firm conclusions can be reached. Moreover, within the study itself, no mention is made of the local rate of unemployment, normally a powerful variable in reemployment.

Therefore, while advocates of advance notification continue to press for the adoption of this strategy by management and even argue for its being required by law, more in-

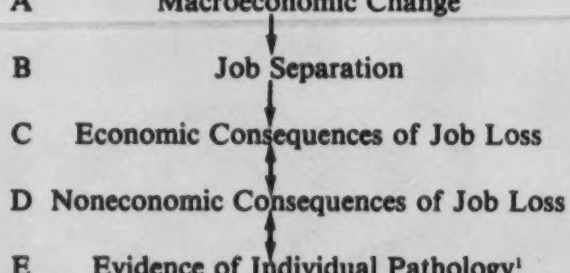
54. Bernard Portis and Michael Suys, *The Effects of Advanced Notice on a Plant Shutdown: A Case Study of the Closing of the Kelvinator Plant in London, Ontario* (London, Ontario: School of Business Administration, The University of Western Ontario, 1970), p. 8.

55. Portis and Suys, *op. cit.*, pp. 14 and 21.

formation is required. Not only do we need an effective evaluation methodology to assess the benefits of advance notification, but also a comparative evaluation with cases where no notice and no programming have been provided.

Chapter 6
The Effects of Job Displacement on Mental Health

One schematic representation of the consequences to individuals of job loss, from whatever circumstance, might present the following progression:


A Macroeconomic Change
B Job Separation
C Economic Consequences of Job Loss
D Noneconomic Consequences of Job Loss
E Evidence of Individual Pathology[1]

This diagram is designed to show the hypothetical relationship between large-scale economic change and the indicators of individual distress, as seen specifically in admissions to mental treatment facilities.[2] The diagram may be broken down into a number of propositions.

1. Louis A. Ferman and John Gardner, "Economic Deprivation, Social Mobility and Mental Health," in *Mental Health and the Economy*, Louis A. Ferman and Jeanne P. Gordus, eds. (Kalamazoo, MI: The W.E. Upjohn Institute for Employment Research, 1979), pp. 193-224.

2. Ralph Catalano and David Dooley, "Does Economic Change Provoke or Uncover Behavioral Disorder?" in Ferman and Gordus, *op. cit.*, pp. 321-346.

Economic Status, Economic Change, and Mental Health

While this schema is applicable to the mental health outcomes of plant closings, most research is focused on other types of unemployment. There are several important traditions of unemployment research to be considered. Some of these traditions can be identified by the connections made between points considered. One standard sociological approach, dating back to Durkheim's study of suicide,[3] establishes connections between indicators of macroeconomic change and aggregate indicators of social and psychological disorder (A-E). Brenner's[4] study of admissions to mental hospitals as well as more recent work centered upon indicators of mortality, morbidity, and criminal behavior have stimulated another type of research involving data collection such as work by Catalano and Dooley,[5] more recently by Ferman and Gardner.[6] In one sense, such massive longitudinal studies and large-scale surveys bracket research that is focused upon job loss, on its noneconomic consequences, and on evidence of individual pathology (B-C-D). Standard studies in this field (Bakke,[7] Komarovsky[8] and Angell[9]) explore, in a nonquantitative fashion, the relationships found in unemployment resulting from massive layoffs (B-C-D-E). One essay, a study of the

3. Emile Durkheim, *Suicide: A Study in Sociology*, J.A. Spalding and G. Simpson, translators (New York: The Free Press, 1951).

4. M. Harvey Brenner, *Mental Illness and the Economy* (Cambridge: Harvard University Press, 1973).

5. Catalano and Dooley, *op. cit.*

6. Ferman and Gardner, *op. cit.*

7. E.W. Bakke, *The Unemployed Man* (New York: E.P. Dutton and Company, 1934).

8. Mirra Komarovsky, *The Unemployed Man and His Family* (New York: The Dryden Press, 1940).

9. R.C. Angell, *The Family Encounters the Depression* (New York: Charles Scribner and Sons, 1936).

Baker plant by Al Slote,[10] documents those relationships in two particular plant closings and is actually an outgrowth of an epidemiological study to be considered in detail in a later section. A significant literature has recently developed which is small-scale, modestly longitudinal in nature, and dependent upon a combination of surveys, case studies, and clinical evidence, all of which stress the relationship between job separation and individual pathology.

Taken together, these three traditions, archival research, surveys, and case studies, provide evidence that these connections exist, on both aggregate and individual levels; but the relationships between the connections are less firmly established. Finally, the schema assumes that economic change and job loss precede the appearance of individual pathology, while it makes no provision for other possible connections between socioeconomic status, unemployment, and mental illness, for example.

Perhaps because research on plant closings must begin with a single event, that event is contrued not only as taking place before individual distress, but is identified as causative of the disorders subsequently observed. In contrast, cross-sectional studies often reverse the order of the schema and construe individual disorders as preceding and capable of causing negative labor market experiences. This tradition of research includes the work of Hollingshead and Redlich,[11] the classic study of New Haven in which the concepts of psychiatry and sociology are joined to produce a convincing argument that the incidence of mental illness is significantly related to social class and that treatment modalities are also related to socioeconomic status and class, so that longer and more frequent hospitalizations are inflicted on persons of

10. Al Slote, *Termination: The Closing at Baker Plants*, (Indianapolis: Bobbs-Merrill, 1969).

11. August B. Hollingshead and Frederick C. Redlich, *Social Class and Mental Illness: A Community Study* (New York: John Wiley and Sons, 1958).

lower status. The Midtown Manhattan study presents overwhelming evidence of the relationship between mental disturbance and social class and it implicates childhood poverty as well.[12] Other major studies, such as those of Gurin, Veroff and Feld,[13] emphasize the connection from another perspective. Even more recently, Turner and Gartrell[14] developed from their investigation a construct of social competence that encompasses measures of occupational status, marital status, educational level, and work performance. Low social competence is considered interactive with psychopathology and accepts the association of low economic status and mental disturbance without assigning a causative role to unemployment.

No conclusive argument can yet be made as to whether an unfortunate labor market experience triggers individual disturbance or vice versa. Well-designed studies are needed that will incorporate (1) the cross-sectional approach that connects mental illness to low socioeconomic status, and (2) longitudinal studies that often associate job separation with mental disorder. The two approaches will have to be mounted together and include a series of case studies that take other significant variables into account.

Plant Closings and Mental Health Outcomes

Yet, even without such conclusive studies, it must be admitted that sufficient study of the mental health outcomes of unemployment has been conducted for discussion to proceed

12. Leo Srole and Thomas Langner, *Mental Health in the Metropolis: The Midtown Manhattan Study* (New York: Harper and Row, 1975).

13. Gerald Gurin, Joseph Veroff, and S.C. Feld, *Americans View Their Mental Health* (New York: Basic Books, 1960).

14. R.J. Turner and J.W. Gartrell, "Social Factors in Psychiatric Outcome: Toward the Resolution of Interpretive Controversies," *American Sociological Review*, June 1978, pp. 383-404.

on a relatively sophisticated level. Recent developments stand in marked contrast to the scholarly consideration given to the problems of the displaced worker only 15 years ago. At that time, studies associating social class with mental illness had been made, but virtually no large-scale studies were in print; only a few on the mental health effects of job loss were even in preparation. At that time, the only available data dealing with the mental health status of workers affected by plant closings as distinct from unemployment resulting from other causes were found in the study by Aiken, Ferman and Sheppard of former employees of the Packard Motor Car Company.[15]

A morale scale was used there to measure mental health—or more properly, well-being or its absence. The five-item morale score was based on situational variables, but it was chiefly an attitudinal determination. The measurements made a clear distinction between displaced workers who had economic security (savings, other sources of income, a readily marketable skill, or some combination of these resources) and those who did not. The former group had higher scores on the morale scale than workers who lacked such resources. Whether this measurement did in fact show something about the response to unemployment of those faced with little or no economic deprivation compared with those less fortunate was not then clear. It was possible that workers with outside resources were so endowed because of certain personal characteristics that enabled them to cope with life and its difficulties more successfully than their coworkers.

These points remain unsettled still, although the ways in which the questions are asked have changed. Furthermore, the fact that there are plausible alternative explanations sug-

15. Michael Aiken, Louis A. Ferman, and Harold L. Sheppard, *Economic Failure, Alienation, and Extremism* (Ann Arbor: The University of Michigan Press, 1968).

gests an important issue in plant-closing research—that of the methodological dilemma. Much is lost to plant-closing research because the sample of unemployed workers studied is not necessarily a random sample, and may not contain those persons whose unfortunate labor market experiences can be regarded as related solely to their own physical and psychological predispositions. While there is no doubt that such samples have their own biases—workers are probably older and working in a declining industry and/or declining geographical area, for example—the workers have, on the other hand, usually been long term employees with stable work histories. The difference in samples will prove crucial to a balanced understanding of the research findings.

Moreover, any study which focuses on the impact of plant closings on individuals will uncover many of them whose experiences escape the path described by the schema. It is obviously inappropriate in those cases where reemployment is immediate and satisfactory or even where reemployment is delayed but occurs before difficulties have been encountered. Basically, the schema is concerned with those cases in which difficulties do arise for individuals, particularly difficulties associated with prolonged or recurrent unemployment. While this path from unemployment to illness has been described in many studies of unemployed persons, it has not been a major focus of plant-closing studies. However, in this specific respect the two genres of research, unemployment and individual reactions to plant closings, come together in the Cobb and Kasl study, *Termination: The Consequences of Job Loss.*[16]

The fact that the Cobb and Kasl work is comprehensive, well designed, and significant would set it above many other studies of the unemployment experience. Its scope and focus

16. Sidney Cobb and Stanislav V. Kasl, *Termination: The Consequences of Job Loss*, DHEW (NIOSH) Publication No. 77-24 (Cincinnati, OH: U.S. DHEW, Division of Biomedical and Behavioral Sciences, 1977).

are unique, as other work on individual responses to plant closings make clear. Mick,[17] in his 1975 assessment of the social and personal costs of plant shutdowns, devotes only two sentences to noneconomic personal outcomes and refers to Aiken, Ferman and Sheppard for the first and to Cobb and Kasl for the second. More recently, Holen[18] focuses her review on those studies concerning adjustment and reemployment, no doubt in part because so little is available in other areas. While several studies of the correlates of the negative outcomes of unemployment are in progress, they are devoted either to unemployment not specifically attributable to plant closings or to correlates less psychological of physiological.

The Cobb and Kasl study was undertaken in 1969 and field studies continued for several years. Two plants about to shut down permanently and lay off all employees were identified by the research team. Among the workers at these facilities, the target group for study was comprised of married blue-collar workers, aged 35 to 60, who had worked at the plants for more than three years. Close to 80 percent of those selected for study agreed to participate.

Displaced workers for the study were drawn from both plants. One was an urban establishment, a paint manufacturing facility, where work was relatively light for all classifications of employees. The second plant, located in a rural community, employed operatives who ranged from skilled and semi-skilled to unskilled, in a somewhat more heavily industrial enterprise. A major strength of this study was the use of a control group, a methodological necessity often omitted from plant-closing studies. Workers in the control group came from four establishments, chosen not

17. Stephen S. Mick, "Social and Personal Costs of Plant Shutdowns," *Industrial Relations*, May 1975, p. 207ff.

18. Arlene Holen, *Losses to Workers Displaced by Plant Closure or Layoff: A Survey of the Literature*, Public Research Institute, November 1976.

only because they were comparable to the two target plants, but also because they preserved the rural-urban spectrum.

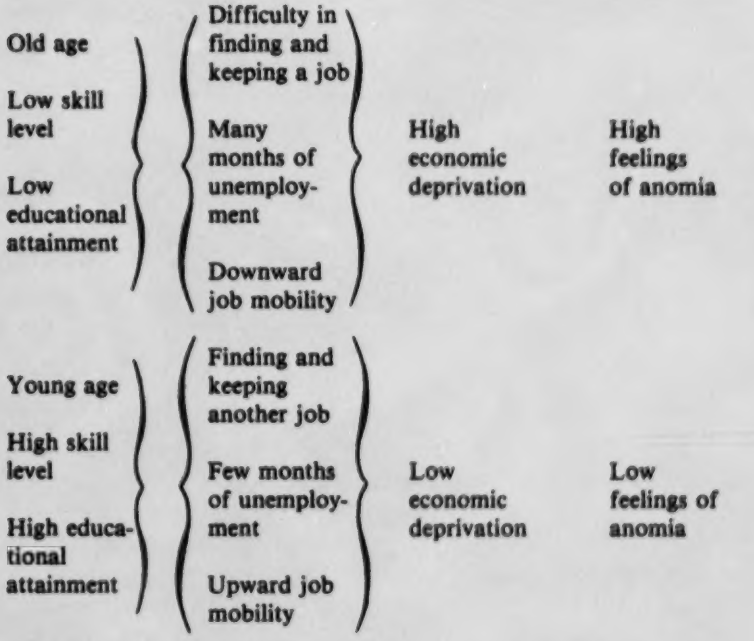
In the study of ex-Packard workers by Aiken, Ferman and Sheppard,[19] the importance of situational pressures as an influence on mental health was established. Using an index of economic deprivation as an indicator of situational pressures, a close association between the existence of such pressures and mental health was indicated. Respondents with high scores had a greater indication of poor mental health than respondents with low scores. It was interesting that predisplacement statuses (e.g., age, skill status) and labor market experiences (number of months of unemployment and downward mobility) had little or no predictive value in relationship to mental health, but the index of economic deprivation was the most powerful variable as a predictor of mental health. The authors suggest the following linkage:

- Predisplacement statuses predict labor market outcomes (e.g., the older worker is more likely than others to experience a long period of unemployment)
- Labor market outcomes are related to the occurrence of economic deprivation (e.g., workers with long periods of unemployment are more likely than others to experience a loss of savings, an increase in debt and a cutback in major expenditures)
- Economic deprivation is a predictor of attitudinal and behavioral indicators of poor mental health (e.g., workers with high economic deprivation are more likely than others to develop dissatisfaction with life and reduce contact with kin and neighbors)

19. Aiken, Ferman and Sheppard, *op. cit.*

The linkage pattern may be diagrammed as follows:

The Determinants of Anomia



The authors conclude that situational pressures in the form of economic deprivation are the link between labor market outcomes and behavioral and attitudinal states. Predisplacement status and labor market outcomes are necessary but not sufficient conditions to influence mental health. The necessary ingredient is economic deprivation (i.e., the extent of resource depletion). The older worker experiences longer periods of unemployment, and this in turn reduces his available resources, which results in negative psychological and behavioral states. The authors conclude that the availability of resources is the most important single factor affecting the morale and mental health of the worker.

Why is money so important? Resource availability makes continued social reciprocity possible, permits continued membership in associations and makes possible an element of control over the environment. These findings argue strongly for the central importance of income maintenance programs in the post-shutdown period.

The Cobb and Kasl[20] study, which examined worker mental states at a number of points in time, confirms this relationship between economic deprivation and social and psychological indicators of pathology. They conclude that the relationship is strongest at the anticipation period before the plant shuts down and weaker at succeeding periods. This may suggest that, as time passes, resources are brought into line with demands—a situation that does not occur prior to the shutdown.

Data collected in interviews were subjected to a number of sophisticated types of analysis, and numerous scales were used to assess variables. Such measures as the Crowne-Marlowe measure of the need for social approval, the Block Scale, the CPI Scale and several others indicated not only the crucial variables (such as general psychological adjustment) but provided validity checks for certain kinds of response in the self-reporting areas of the instrument. Such extensive interweaving of different measures of many variables points up how far the apparatus of social-psychological study of unemployment-related outcomes has come since the workers terminated at Packard were studied. Still, it is significant that major emphasis in analysis and interpretation was placed upon two indices, Relative Economic Deprivation and Relative Economic Change, both of which were adopted from the Packard study.

20. Sidney Cobb and Stanislav V. Kasl, "Some Mental Health Consequences of Plant Closing and Job Loss," in Ferman and Gordus, *op. cit.*, p. 293.

In the Cobb and Kasl study, unemployment experiences of the terminated workers differed between the rural and urban workers. On average, the men were unemployed for about 15 weeks during the two years of the study, and for most of the workers these 15 weeks were concentrated in the period directly after the plant closing. In the urban situation, 25 percent of the workers experienced no unemployment during the first year, since they were immediately reemployed, and 50 percent had less than two months of unemployment. It was more difficult for workers in the rural setting to find a job in the first year, and it was reported that one-third of them were still unemployed after three or more months. During the first year, the rural workers had an average twelve weeks of unemployment, while urban workers had about seven weeks. In the second year, the pattern was reversed, and at the end of the study the jobless period over the two years was about the same for both groups. Numerous workers found themselves without a job more than once. However, despite the early difficulties encountered by the rural workers, their lives were less disrupted than those of their urban counterparts. This may be explained by the fact that the plant in the urban setting had been a kind of community in itself, fulfilling many associative needs that rural workers continued to derive from dependable community associations.

While it was important that this study identified apprehension before the fact as one stage of distress in the experience of unemployment associated with plant closings, the general findings did not confirm any consistent, ongoing, high level of distress among all displaced workers from the time they knew that unemployment was approaching until they were reemployed. Indeed, a particularly valuable finding was the presence—after an early period of stress—of adaptation to prolonged unemployment. Those who underwent more than one period of unemployment in the course of the study appeared to fare the worst.

Thus, there is the anomaly that periods of employment in the work history of a displaced worker may be more destructive than prolonged joblessness. Prolonged unemployment can be a more stable and predictable existence than the wild fluctuations of periodic employment. We have been led to believe, particularly in the literature of the 1930s, that prolonged joblessness was *the* most destructive social experience. The data both from the work of Aiken, Ferman and Sheppard and Cobb and Kasl dispute this image.

The Cobb and Kasl data have been used by numerous writers to support policy development regarding the social, physical and psychological impact of plant closings. Their quotations have been carefully chosen because the Cobb and Kasl study does not blame job loss for all cases of distress or deviant behavior that may follow unemployment. Cobb and Kasl state explicitly:

> ". . .the mental health impact of job loss and unemployment appears to be a limited one, both in terms of its magnitude as well as in terms of its duration."[21]

Such findings differ somewhat from the earlier Packard study, although the differences are more marked between the Cobb and Kasl findings and the recent work of Brenner. But again, Brenner (as well as those who revise Brenner, notably Catalano and Dooley[22]) is studying unemployment in a broader sense. The schema presented at the beginning of this discussion indicates the underlying rationale of the Durkheimian approach used by Brenner and others. In the Cobb and Kasl instance, individuals would experience job separation resulting from macroeconomic change, and might (although always depending upon reemployment and adjustment to

21. Cobb and Kasl, *Termination, op. cit.*, p. 175.

22. Catalano and Dooley, *op. cit.*

prolonged unemployment) proceed to a position of deprivation brought about by the economic consequences of job loss. Cobb and Kasl attempted in at least four ways to relate the two scales—relative economic deprivation and relative economic change—to indicators of negative physical and mental health outcomes with virtually no success. In fact, they questioned whether physical and mental health problems, when they appeared in their study group, were related to the experience of job loss at all.

Despite the fact that this study was exemplary among those of plant closings generally and unique in the extent of its assessment of physical and mental health outcomes, problems appear that may contribute to the variance between its findings and the close correlations found by Brenner and others between unemployment and other social and psychological problems. It is likely that the psychic investment of unskilled blue-collar workers in their jobs, quite apart from the financial aspect, is smaller than the investment of other groups of more skilled and more professionalized workers. Cobb and Kasl themselves speculate that low-skilled, blue-collar workers may have weak attachments to the work role. Kanter[23] and others have demonstrated that weak attachment may result from blocked opportunity and similar structural features of the workplace that are particularly common in large manufacturing enterprises. Consequently, the argument goes, the trauma accompanying detachment from a valued social role may very well have taken place many years before the plants closed in the worklives of the participants of these studies. The hope of a valued work role was relinquished at that time, and the primary attachment to the job then became economic and, in the case of the urban workers, affiliative. At best, therefore, the conclusions reached in this study are only suggestive and

23. Rosabeth Moss Kanter, *Men and Women of the Corporation* (New York: Basic Books, 1977).

suggestive only for other workers with a similarly weak attachment to the work role.

There is another factor peculiar to plant-closing studies but not to unemployment studies. Unemployment resulting from plant closings carries with it less self-condemnation than more generalized unemployment does. Whether or not an individual was in any way responsible for the loss of a job in any particular case, it is highly probable that the worker who is laid off while others remain on the job suffers a loss of self-esteem. Although there may be no rational reason for self-blame, the unemployed individual sees himself or herself as somehow inferior. Clearly, as noted above, a general plant shutdown offers much less opportunity for blaming one's own shortcomings. The very nature of a mass layoff provides the newly unemployed with an opportunity to join with others similarly afflicted, even for a short time, for discussion, mutual support, and solidarity.

The data in the Packard study clearly indicates that skidding in the labor market (in the form of reduced status and hourly wage on succeeding jobs) was related to poor mental health (high anomie scores, low satisfaction with life and reduced contact with kin and neighbors). Ex-Packard workers who returned to jobs with status and wages equal to or higher than the old Packard job had the highest mental health scores while those who had reduced status and wages had the lowest scores. What is suggested here is that work in and of itself is no cure-all for job displacement. Work that is downwardly mobile can be more destructive than no work at all. As a matter of fact, the ex-Packard workers who remained totally unemployed for the 27-month period had mental health scores subjectively higher than the workers with downwardly mobile jobs.

Moreover, even if the major problem identified in the plant-closing studies by Cobb and Kasl was the impact of

economic deprivation on jobless workers, the negative aspect would be moderated somewhat by severance pay. The periods of unemployment experienced by these workers were not excessively long. It is suggested that there may well be a certain period of joblessness required before negative effects begin to appear. Only studies that follow workers over a period considerably more than two years can begin to assess the long term effects.

This necessity is dramatically highlighted by the work histories derived from the data provided by the plant-closing studies analyzed in this review. In general, the average seniority is considerably more than a decade, often fifteen years. The plant closing means, for these individuals, the possibility of a downward journey through the labor market, a long process which Cobb and Kasl assert may change an unemployed person into an unemployable one.[24] Such "bumping and skidding" is associated with economic deprivation, and both these factors are associated with negative mental health outcomes for displaced workers. Indeed, the cross-sectional studies, as well as the genre of research focusing upon class, the Midtown Manhattan study[25] and Hollingshead and Redlich,[26] with their emphasis on the close relationship between mental illness and socioeconomic status, all document the possible end of a work history first disturbed by a plant closing, followed by economic deprivation and recurrent bouts of unemployment, broken only by reemployment at lower and lower levels.

The emphasis in this section has been upon mental health and mental illness, although Cobb and Kasl consider physical health outcomes as well. Brenner, who began his

24. Cobb and Kasl, *op. cit.*, 1979, p. 289.

25. Srole and Langner, *op. cit.*

26. Hollingshead and Redlich, *op. cit.*

research in this area with mental hospital admissions as the indicator, has recently worked on morbidity and mortality and, indeed, made projections on a national scale. The research done on the connections between unemployment and physical disability are traditionally an outgrowth of concerns about the relationship between physical well-being and environmental factors in the workplace, and about the effects of occupational stress upon physical health. The complexities of measuring physical health outcomes attributable to plant-closing unemployment are illuminated by the comments of James House:

> "On the whole, there is already considerable evidence that occupational stress is a factor which increases morbidity and mortality from physical disease, especially heart disease. The complexity of this evidence suggests that different forms of occupational stress may have differential effects on varius subgroups of the total population defined in terms of standard characteristics (such as age, occupation, and sex), personality (such as "Type A") or social situation (such as social support.)[27]

Given the problems of measuring work-related physical illness and of confusing work-related with unemployment-related illness, and given the fact that plant-closing research, however carefully designed, often lacks adequate baseline data for comparative purposes, it is not surprising that the area of occupational disability remains largely unexplored. While Cobb and Kasl did not find a significant increase in illness in their sample, it must be emphasized that the same difficulties—limited follow-up period (24 months) and the possibility that unemployment in the present may have an impact on an individual's well being that will not be evident

27. James S. House, "Effects of Occupational Stress on Physical Health," in *Work and the Quality of Life* (Cambridge: MIT Press, 1974), p. 161.

from some years—found in unemployment-related mental illness research are exacerbated in unemployment-related physical illness research.

Job Loss and Family Changes

Attention has also been focused upon the psychosocial effects of unemployment upon families. From the earliest studies of unemployment during the Depression,[28] emphasis has been placed on the disorganizing effect that such a major event can have upon family structure and roles, and this theme has surfaced again and again with variations. A particularly important analysis was made by Elder[29] in a massive longitudinal archival study of families whose functioning had changed during the Depression. While Elder makes a convincing argument for locating the major impact of unemployment crises at the point where the individual, the family, and the social environment meet, his analysis is not based upon plant-closing unemployment nor does its longitudinal emphasis relate the family's experience of joblessness either to the work history of the principal worker or to the family's own stage in the life cycle.

It might be expected that some of these difficulties would be rectified in recent research by Walter G. Strange based upon case studies of thirty workers who lost their jobs after a plant closed in Saltville, Virginia.[30] While Strange emphasizes that his study concentrates upon the individual rather than the community, it is clear that he adopts a perspective rather like Elder's, since marriage and family

28. Bakke, *op. cit.;* Angell, *op. cit.;* Komarovsky, *op. cit.*

29. G.H. Elder, *Children of the Great Depression: Social Change in Life Experience* (Chicago: University of Chicago Press, 1974).

30. Walter G. Strange, *Job Loss: A Psychosocial Study of Worker Reactions to a Plant-Closing in a Company Town in Southern Appalachia* (Blacksburg, VA: Virginia Polytechnic Institute, 1977).

loom large in the adjustment of these Appalachian workers to the closing of their plant. While acknowledging the importance of the work done by Cobb and Kasl and the associated analysis of that data by Susan Gore,[31] Strange places his stress upon a model of job loss that perceives that loss as analogous to the grief over the death of a loved one or to other major losses in adult life.

Following the conceptualization by Robert Weiss[32] of emotional and social isolation as loneliness, Strange hypothesized that mechanisms rather like those suggested by Weiss and others in his tradition could probably be expected to become manifest in Saltville.[33] As its underlying rationale, the study asserted that the closing of the plant at Saltville had "stripped that community of what had been its principal mechanism of social integration."[34] It is here that the major problem with this approach appears, for in assigning to the plant the foundation for the sets of relationships that define community and community function, Strange set the stage for a social cataclysm. Such an exaggerated view of the plant's symbolic and actual importance in a rural setting provides a framework in which anything short of catastrophe would be anticlimactic. Moreover, considering the compelling arguments given by Cobb and Kasl and by Gore's analysis of the importance of social support in rural environments in that larger study, such a conceptualization appears unnecessarily simplistic. And, as one might expect, the findings of the study indicate that the family, in particular the wife, is both vulnerable to the adverse changes in family

31. Susan Gore, *The Influence of Social Support and Related Variables in Ameliorating the Consequences of Job Loss*, Doctoral Dissertation, University of Michigan, 1973.

32. R.S. Weiss, *Loneliness: The Experience of Emotional and Social Isolation* (Cambridge: MIT Press, 1973).

33. Strange, *op. cit.*

34. Strange, *op. cit.*, p. 31.

resources and roles brought about by the closing, and instrumental in bringing some new order to at least a portion of the ensuing chaos.

In effect, Strange is viewing the family as a social support mechanism, particularly strong in this traditional community, but one that demands much at the same time that it provides much. There is sufficient resemblance between the responses of individuals in this study and the general phases of grieving to permit the identification of part of the individual and family adjustment to plant closing as a kind of grief. The fact that this plant shutdown took place in a setting in which attachment to the land, springing from long-standing family residence in the area, is particularly strong gives rise to another pair of contradictory impulses. Rational economic decisions might well dictate that these workers move elsewhere to seek jobs, but most of them chose to accept the loss of a job and its attendant distress and to reject a move that would have entailed, in Strange's terms, another loss, conceivably much more traumatic. This study provides indirect and inadvertent support for a hypothesis that places the family in a critical position during catastrophic unemployment, but it does not analyze the processes at work here because they are not central to the conceptual framework. Grieving places the individual in the center, although there is reason to suppose (and studies already cited indicate) that much of what occurs after a plant closing is a social and family process.

It seems fortuitous then, given the fact that most studies are suggestive yet inconclusive about the family and the psychosocial response to plant shutdowns, that when Kenneth Root undertook research on the 1975 Mason City, Iowa closing of the Armour plant, he placed a specific focus on family.[35] The closing provided a substantial unemployed

35. Kenneth Root, "Workers and Their Families: Some Attitudinal and Behavioral Responses to a Plant Closing," National Institute of Mental Health research prospectus.

population, although the list from which the sample was chosen was not ideal. In total, a sample of 103 individuals with families were chosen for study, and subsequent followup dealt with a reduced sample of 77 persons. Considering the emphasis on age-related reemployment difficulties encountered by workers in other plant-closing research, as well as the differing needs and perceptions of individuals and families according to their places in the life-cycle, it is particularly unfortunate that this study was hampered at the outset by the refusal of both management and union to provide the researchers with lists of essential demographic information. Still, as the sample was finally drawn, it would have been possible to emphasize age and age-related phenomena.

Another problem with this set of studies is its orientation toward a strongly positive view of plant closings. It is more than likely that this emphasis accounts for the style of interviewing evident in some lengthy quotations,[36] a style designed to elicit positive rather than negative responses. On the basis of these interviews, Root constructs a typology from the study sample, identifying three types of plant-closing participants: "winners," "losers," and "marginals." About 40 percent of the sample indicated that they felt the closing had been good for them and their families, thus qualifying them as "winners." Another 30 percent indicated that the closing had been bad overall, making them "losers," while about 27 percent were "marginal," with another 2 percent indicating that they were not yet certain what they felt their personal outcomes were. A critical variable in this study was the announcement by Armour that another plant would be opened in Mason City, although it would employ only about one-fourth as many workers as the old plant. However, at that time the Mason City area generally was not a seriously

36. Kenneth Root, *Perspectives for Community and Organizations: On Plant Closings and Job Dislocations* (Ames, IA: Iowa State University Press, 1979).

jeopardized labor market, and aggressive efforts by local economic development agencies and business groups ameliorated the employment situation in objective terms.

To some extent, the Root findings and the interpretation of them are a logical extension of the work of Cobb and Kasl and of Strange as well. Root emphasizes discontinuity with earlier studies, but does not account for it sufficiently. Earlier plant-closing studies had concluded that almost everyone was a victim, that nearly all workers were casualties. Some recent studies present a more positive view, finding that support in family and community buffers the costs to individuals and indeed provides an environment in which positive changes can take place. While Cobb and Kasl find stress and clear evidence of adverse reaction in the early post-announcement, pre-closing period, Root finds, in some cases, a sense of relief and a positive attitude toward the change. But, it must be noted that the ease with which many workers were reemployed and the accompanying perception that jobs could be found are correlates of age, skill, and a total resource package, factors insufficiently investigated in this study. Only a major longitudinal study, carefully designed, controlling for job histories and labor market conditions, can answer the questions these discontinuities raise.

To return once again to the schema set forth at the beginning of this section, it is clear that the points noted are not only discrete events in themselves but that they can also be construed as junctures at which intervention can take place. Much research, from Durkheim through Brenner and the new generation of epidemiological researchers, has focused in its quest for indicators, on the last point, evidence of individual pathology. At this stage, intervention is often forced or inevitable, and the quality of services provided for the troubled and ill and the costs of such services become a major concern. More recently, emphasis has been placed upon the processes alleged to take place between job loss and ill-

ness, so that intervention can take place earlier at mental health centers, counseling centers or health maintenance organizations, or through the "natural" systems offered through networks of lay helpers or an individual's social support system.[37] Depending upon who is describing social support, this often intangible good can turn up with very tangible accouterments—like training or various subsidized programs—and the concept can even include transfer payments or other forms or sources of income maintenance.[38] These intervention points can be geared, again depending on definition, to the economic or noneconomic consequences of job loss, or even both. Moving back another step ensures the appearance of organized labor as well as various policy and planning groups with proposals for the delay and indefinite postponement of job loss or the creation of new jobs.[39] Interventionists of this type point to arrangements in other countries that ensure more job security and cushion workers from the impact of economic dislocation. Finally, other planners and economists would seize the chance to intervene at a still earlier stage, to guide and channel macroeconomic change so as to cause the least possible perturbation in local labor markets.

The available studies of the physical and mental health outcomes of plant closings, few as they are, offer a rather skimpy needs assessment for one or another of these intervention strategies. However, unemployment studies generally, whether case studies or large-scale sociological enterprises, provide strong incentives and arguments for developing powerful public policies to cope with negative effects, while neglecting those areas where relevant processes

37. Elizabeth Bott, *Family and Social Network*, 2nd Ed (New York: The Free Press, 1971).

38. G. Ramsay Liem and Joan Huser Liem, "Social Support and Stress: Some General Issues and Their Application to the Problem of Unemployment," in Ferman and Gordus, *op. cit.*

39. S.M. Miller, "Unemployment and Mental Health: An Interpretive Summary," and Gar Alperovitz, "Strategy and Policy," both in Ferman and Gordus, *op. cit.*

might be seen and specific intervention tactics suggested. In other words, unemployment studies in general demonstrate that there is a need for intervention to alleviate social costs but do not provide much information about where such action had best be taken. Plant-closing studies concentrate on likely intervention points but do not make a convincing case for massive intervention.

Clearly, both the research efforts, as well as the policy and programs designed to alleviate problems associated with plant closings in the area of mental health, have proceeded without certain crucial items of information. Some of the missing information depends upon circumstance. For example, the mental health effects of plant closings may very well resemble the mental health effects of large-scale countercyclical unemployment in situations where these two occur simultaneously. To date, no plant-closing study has taken place in an area where the unemployment rate is over 10 percent, although the increasing incidence of plant closings in the rapidly changing northeastern quadrant of the country will provide ample opportunity for such research. Because a plant closing may be the point at which individuals enter upon downward job mobility and prolonged and/or recurrent bouts of unemployment, always coupled with relative and sometimes actual economic deprivation, it is obviously necessary that plant-closing studies be designed to follow individuals for a much longer period than a year or two. Perhaps a more productive research strategy for the future would focus less on an individual plant closing and emphasize more those several instances in which the experience and success of various intervention strategies might be documented and evaluated.

Chapter 7
New Directions for Research, Policy, and Program Development

The purpose of this review of selected plant-closing studies was to summarize and synthesize the results of research undertaken over the past 20 years. Interest in plant closings and industrial relocation increases and decreases in direct relation to the prevailing economic situation. Such research depends, in part, upon the availability of plants in the process of shutdown, a phenomenon more common in bad economic times than in good, in declining industries, and in declining geographical areas. Moreover, the problems are most obvious at such times, and since steps are often contemplated to relieve the consequences of closures, studies are often performed in association with such programs. To some degree, then, this review reflects yet another economic downturn, another set of opportunities for study and action. The further purpose of this review was to provide a compendium of information useful to those studying closures at this time and helpful to policy makers and planners who might wish to review past efforts in order to find directions which might profitably be taken in the present and future. However, this review can, at best, be only as useful as the research which it summarizes. Plant-closing research has been so limited in scope and conceptualization that the present review is limited as well. Moreover, partly because of the narrow conceptualization and total lack of an overall

research framework, research in this area has also been characterized by methodological inadequacy. In these concluding pages, emphasis is placed on this set of conceptual and methodological problems for two reasons. First, this focus highlights the need for a new research agenda and clarifies the problems which need to be addressed. Second, the utility of this review as basis for policy recommendations is directly related to the degree of confidence which can be placed in the synthesis and summary of the research conclusions. Therefore, only an evaluation which is critical of the research reviewed will be useful for further research, policy recommendations and program planning. Four major points will be stressed in these pages: the problems of past research, a new research agenda, conclusions about the impact of plant closings, and some suggested policy developments. The first two points are closely associated with a major theme of this report—the assertion that, despite the continuing research in this area, we are still missing critical information. They deal with what specific types of information are lacking, and what barriers—conceptual, methodological, and practical—have prevented gathering such data. What steps can be taken to rectify the situation is the topic of the following two sections.

Conceptual and Methodological Problems of Plant-Closing Research

Plant-closing studies, including the present review of those studies, are captives of their own tradition. From the earliest studies through several of the more recent analyses, the individual and community consequences of industrial relocation have been clearly and compellingly revealed through the preferred method of investigation—case studies.

These case studies have been conducted when opportunities for research were presented and their appearance in the literature is sporadic. There is no reason to suppose that

the plant closings studied are typical cases; for example, closures which are studied are usually unionized establishments. There are additional conceptual difficulties associated with plant-closing research. There is no framework for such study that permits an estimate of extensiveness of the problem; there is no adequate longitudinal base from which studies are made; and usually only a single phase of the shutdown process is scrutinized. All of these problems are intertwined with program and policy issues which have served to limit the general field of plant-closing studies to the point where reality may very well be severely distorted.

First, while few will quarrel with the assertion that plant closings cause severe problems for individuals and communities, particularly for those with fewest resources and advantages, legitimate questions can be raised about the extensiveness of these problems. While the national interest is perceived to be served by the accumulation of information crucial to policy formation in the area of employment, underemployment, and unemployment, these categories have only recently been subdivided. The subdivisions of current interest, the employment problems of youth, minorities, women, and disadvantaged persons, have been demonstrated to be extensive. In the absence of evidence to the contrary, plant closings can be considered unfortunate but isolated events whose seriousness is reduced because they are not perceived to be common, recurrent, and significant on the national level. The results of this isolation have been to minimize policy and program initiatives designed to assist older industrial areas and to minimize transitional programming for older workers whose educational levels and skills added to their high wage aspirations inhibit their reemployment. No national policy concerning plant closings has developed because extensiveness of the problem has not been demonstrated, yet it is unlikely that research of a type ap-

propriate for measuring extensiveness will be designed, supported, and utilized until at least some steps toward a national policy have been taken. Possible methods for approximating extensiveness are discussed below.

A second circularity which has developed through the isolation of plant-closing research is related to the failure to establish an appropriate longitudinal dimension. Throughout the literature we find needs assessments of a sort; the studies clearly indicate that some actions designed to promote rapid reemployment and community economic development should have been taken. Other studies describe the implementation of one or another intervention, retraining or relocation, and document the relative success or failure. Since no systematic implementation takes place, no systematic evaluation takes place and the results of each individual program do not provide any guidelines, based on rigorous study, for future interventions. The displaced workers are seldom followed, with or without intervention, for more than a couple of years. Without a good longitudinal assessment of lost income and revenue, such losses might seem relatively limited. The costs of developing programs or doing evaluative research might appear high when data are not available about the costs of failing to choose these alternatives.

A third research problem with significant policy and program ramifications focuses upon the point at which study begins. Throughout this volume, specific difficulties associated with the starting point are discussed. For instance, we know little about those individuals whose jobs were lost in the waves of contraction common before a major closing. Even more critical issues are obscure because research begins too late. A plant closing is an economic and social process with many actors and many dimensions, yet very little is actually known about the process. More important still, little is known about how the process of a closing affects the out-

come. Only in the studies we have—which do not begin to represent the types of closings which have occurred—are attempts made to ascertain whether, in fact, early notification conduces to early reemployment when certain programs are implemented. While this research problem does not have as costly a solution as the problems of extensiveness and duration, it is fraught with equal difficulty. Only in cases where management has pledged cooperation can such studies be mounted early; there are only a few cases in the literature and a few situations of this type currently in progress. The utility of even these few cases can be doubted because the type of labor-management climate which permits such incursions is unfortunately not common.

Several of the more serious methodological problems of plant-closing research are directly related to the conceptual and practical problems of undertaking this research. For example, it is not possible to extrapolate the findings from one plant closing to another because plants studied are not selected from a national sample of manufacturing facilities. At best, the research from one case can provide some indication of what can be expected in similar industries, similar communities, and in similar groups of workers. Those plant-closing studies which are evaluations are, in general, unsatisfactory. In some respects, their limitations reflect the general difficulties of performing such research on a case by case basis. Evaluations of training programs can only provide convincing results when random samples of other unemployed workers from plant closings are taken and the outcomes for both groups—those for whom training was provided and those who did not have such training—are measured. The methodological problems of plant-closing research also reflect the fact that in this area, research, policy and programming are closely interwoven. While the impression prevails that plant closings are among the less critical employment-related problems—and this impression will no

doubt continue to prevail unless research on extensiveness is begun—other efforts to bring plant-closing research up to the conceptual and methodological standards appropriate for social science research will be unsuccessful.

A New Framework for Plant-Closing Research

A proposed research agenda for the study of industrial relocations and plant closings would focus on these problem areas; extensiveness, duration, scope of the study, and planning and coherence of research efforts.

Determining the extensiveness of the plant-closing phenomenon is a major priority. We do not know the prevalence of plant closings, the regional patterns in which closings occur, nor the comparative effects of closings on different communities. Currently, any estimate of the number of plant closings must depend upon Dun and Bradstreet data, which are not always the appropriate type of data to be used. It is possible that linkages can be established between different types of administrative data bases to provide at least numbers of closings and numbers of affected workers. Clearly, this type of data collection and reduction done on a regular basis would be an improvement over the current situation. However, administrative data provide only beginnings. A national survey, either a free-standing study, or a substudy linked to a major data base in some way, would have the advantage of capturing much more information than even the most creative exploitation of current administrative data bases. Suggestions have been made, usually in the context of the discussion of legislation for full employment or job security, that managements of facilities planning major changes, especially closures, be required to inform some agency of government and in the course of that notification to present an economic impact statement similar to those required when federal defense

establishments are to be closed. Such reports would obviously have the advantage of continual open access for researchers and could form a rich administrative data base about plants, industries, regions, workers, and other subjects crucial to the understanding of the plant-closing process.

An ideal arrangement would feature the following studies:

(1) required economic impact studies;
(2) the inclusion of plant-closing questions in national studies, e.g., the Parnes data base, the Current Population Survey, even the Census; and
(3) at least one major national detailed study extending over at least four years.

This arrangement would reduce but not eliminate the problems induced by the isolation of plant-closing research.

Not only does no truly coherent conceptual framework or estimate of prevalence exist, but no data are available to measure that entire preclosing phenomenon which may be characterized by continual contraction. Therefore, any closing studied may always be a study of a residual worker population—older, less educated, less mobile, subject to some costs but not others, appropriate for some programs and not others, and whose experience prior to study has been much affected by continuing contractions in the workplace.

An appropriate strategy would be the initiation of a study of plants in industries where closings are quite likely. When closings occur, the entire process could be studied, not just the death rattle. This suggested strategy would remedy another major methodological and conceptual problem associated with plant-closing research. No other area of social science research displays such a lamentable lack of that essential ingredient of any respectable research design, a control group. Of all the studies reviewed, the vast majority

stand by themselves. Several studies purport to be comparative case studies, yet the rigor introduced is only a similar methodology used by the researchers, not a serious and sustained attempt at selection of a sample. The position of the study by Cobb and Kasl as a landmark in this field is related, to a large degree, to the fact that both Baker and Dawson plants are matched with other similar plants. Despite the fact that this is, for plant-closing research, a major step forward, a matching exercise is a relatively simplistic and unsatisfactory method of sampling.

Within the genre of plant-closing studies, the attempts at study vary widely. To a large extent, a review such as we present here confers a unity upon a series of studies which differ widely in quality, approach, and focus. There is a danger that such studies might be considered appropriate for a type of cross-study generalization. These studies were not designed in concert with one another; they capture the plant-closing process at different points; they emphasize different measures and different variables. Their one point of unity is the phenomenon they study, an occurrence which can differ dramatically, depending upon the concerns, priorities, resources, responses and interactions of the impacted groups.

Several other important questions have been raised in the course of this review and these issues merit study. The emphasis in this review, and in the studies generally, has been upon the workers and communities. Little research has been done to validate the general assumption that plant closings do promote economic efficiency. No follow-up studies have been done of facilities that moved; it is not known whether such moves always do increase profits. More important, no evidence has been adduced to show whether, in fact, some closings, characterized perhaps by acrimony, are more costly than others. Emphasis has been placed, for example, on the use of transfer rights by workers, but no comparative studies

have been done to indicate whether facilities with additional workers who have transferred from a closing plant encounter any special problems as a result of the tranfers.

Yet other economic studies remain to be done. Opposition to plant closings centers on costs incurred by individuals and communities. A modest beginning has been made in the area of assessing such costs, yet the level of sophistication does not yet approach the level required for economic impact statements for defense establishments. The whole differentiation between private profit versus individual and public costs should be set aside so that models can be developed to assess the total cost-benefit package, public and private, of a plant closing.

Still other research questions surface as the responses to plant closings change. The development of new, private sector firms, specializing in employability development programming, demands that evaluation of such efforts be undertaken—evaluations designed to measure outcomes over at least one year, and measure them against outcomes of public-sector programs. Community responses, particularly those which develop from the grassroots and which involve numerous groups in the community, should be analyzed and assessed with respect to the functional social support they offer displaced workers and the possible function they may have with respect to community economic development. Such unofficial programming appears to be relatively common in communities, but the effectiveness of such programming is seldom monitored. Another area which requires investigation is the process and outcome of plant-closing bargaining in different industries. Experience with closings and with union representatives reveals that this individual bears heavy responsibilities; yet the role of the union representative, and indeed the area of union support services, has been neglected. Further, nonunionized closures must be studied closely because they have been completely

ignored in the past and because, even in the current state of research, some comparisons and contrasts between facilities with unions and without bargaining units can be made. Finally, the problem of closures no longer affects manufacturing plants only. While some studies have been done of professional and technical workers whose jobs have been abolished, the wholesale closing of service facilities in the public sector—mental health institutions, agencies of local, state and federal departments, as well as employment and training agencies—will provide an opportunity for careful study of major shifts in employment. This is a new and important phenomenon.

Consequences of Plant Shutdowns

If one conclusion of this review was that much critical information is lacking, another—or at least part of it—is more reassuring. We do know a great deal about some of the consequences of plant closings and we understand the impact of such events much better than we did two decades ago. We know, for example, that the decision to close a manufacturing facility is a process which is still concealed from the view of researchers and others, although the causes of such industrial relocation are becoming more obvious and more complex. Not only are shifts from north to south in search of cheaper land and labor continuing, but those shifts are often further afield, to less developed nations where labor costs are cheaper still. Such shifts are made possible, in part, by technological changes. Those technological threats, the visions of automata replacing workers, which prompted program development and research twenty years ago, appear to have been premature then. Now, however, the completion of that technological revolution is underway, in concert with demographic, geographic, and economic change, a set of developments which promises to change the American industrial scene.

We also know that while management may, in response to market changes, decide to close or relocate, other groups are affected and respond to this action. Research indicates that labor unions have not succeeded at insuring employment continuity for members. In many cases, such employment protection has not been featured as a prominent bargaining demand, partly because threats to employment seemed distant, and pressures for other concessions in wages and benefits were intense and proximate. Unions with a history of continuing job loss due to technological change continued to bargain for security while other unions found that benefits designed for short-term layoffs, supplemental unemployment benefits, could be utilized in plant-closing situations.

Unions attempt to secure favorable closing bargains when all else fails. And relatively recently, unions have begun to assume some role in other broader coalitions whose efforts are aimed at other points in the closing process. Coalition formation for the achievement of common goals has long been a strategy employed by organized labor, and some beginnings of coalition formation for the purposes of serving displaced workers, assisting such workers with plans to relocate, and even in a few cases of developing employee stock ownership plans (ESOP) can be seen. Most strategies used by unions are still relatively traditional and it is too early to assess the success of the newer approaches.

Communities also experience the consequences of plant shutdowns. Within the past 10 years, the image of the passive town has gradually changed. Whether this image was ever accurate is unknown. Recently, communities have acted and the research evidence indicates that communities are well-advised to take action, for the economic costs to local areas are substantial. The research also indicates that it is no easy task to mobilize a community to do anything in a coordinated fashion, although a community, such as Horseheads, New York, can learn to mobilize effectively and

that learning remains and enables the community to respond rapidly and effectively at a later time.

While we still lack the base of information needed to indicate how serious and widespread plant closings have become in the past five years, it is surely clear that community and political activists, as well as legislators from impacted areas, believe that impressionistic evidence is sufficiently compelling to indicate that there is a major problem and that the problem requires legislative remedies. The flood of plant-closing legislation across the northeast and midwest states is, in itself, evidence of concern at levels higher than the affected workers and their local communities.

But the primary focus of plant-closing research remains where it has been for the past 50 years, squarely on the displaced worker. In the most general terms, we do not know who that displaced worker is; once again the limitations of plant-closing research restrict our conclusions to those few instances among numerous closings—the few cases which have been studied. However, we do know quite a good deal about workers in plants which have been studied.

The job search behavior of blue-collar workers displaced by plant closings tends to be late, geographically limited, and carried on through informal channels. Such behavior is in sharp contrast to the more effective job search behaviors of white-collar workers. More highly educated, presumably better informed about the labor market, younger and more mobile, white-collar workers also tend to look for jobs earlier than blue-collar workers do. Various reasons can be advanced for this behavior, including the desire of blue-collar workers to secure severance pay which is often tied to remaining on the job until closure.

The reemployment experience of blue-collar workers is usually accompanied by declines in income, in status, and almost invariably in seniority, which usually cannot be

transferred. This experience is in contrast to white-collar workers, who fare rather better. However, those same factors—age, lower levels of skills and education, less willingness to consider geographic or occupational mobility—which affect the reemployment experience also affect the job search pattern. So far, no opportunity has arisen for research which permits the separation of job search pattern from reemployment experience for similar types of blue-collar workers. So whether it is job search, or other immutable characteristics such as age, race and sex, the result is that blue-collar workers displaced by plant closings experience substantial periods of unemployment followed by lower paying, less stable employment.

A number of alternatives, besides local job search and reemployment, can be available to displaced workers. The transfer alternative is available most often because transfer rights have been collectively bargained. While management can either impede or facilitate participation in transfer programs, some characteristics of workers appear to become insuperable barriers to transfer. Workers who are older, with lower occupational status, little education, and presumably fewer personal resources are less likely to take advantage of a transfer policy. For somewhat similar reasons, women often cannot and most often do not use a transfer right. Those, therefore, most negatively affected by the closing are those least likely to reduce the impact of the closing upon themselves and their families by transferring. Those who, all other things being equal, might seem more likely to become reemployed relatively easily, those with better skills, better education, and more youthful, take advantage of transfer policies.

When geographic mobility is rejected as an alternative, occupational mobility is another attractive course. Retraining programs aim to enhance the employment potential of displaced workers. Once again, those who seem to need such

interventions least, those who are younger, slightly better educated, and possessed of slightly more resources than their coworkers, seem to participate the most. Still, participation in retraining continues to be very limited, about 15 percent, and it is not clear how effective retraining programs have been.

Retirement, either early or regular withdrawal from the labor force on a pension, appears at first glance to be a relatively positive outcome for the older displaced worker. Still, unplanned retirement, even when resources are adequate, is closely associated with negative mental and physical health outcomes, and resources which depend upon fixed pension payments often are far from adequate shortly after retirement in a time of inflation.

Generally, the results of plant-closing research indicate that these particular displaced workers have age, low skills and little education as strikes against them. It also shows that neither geographic nor occupational mobility is attractive to such workers, and in many cases, may actually be—or be perceived to be—impossible alternatives. The most powerful influence upon the outcome of a plant closing is the local unemployment rate. Yet even when the unemployment rate is relatively low, displaced workers do not become reemployed rapidly (perhaps by intention) and do not regain their old status, seniority, and wage rate after reemployment.

Unemployment is generally conceded to be a significant stressor capable of producing negative mental and physical health outcomes for individuals so affected. The case studies reviewed illustrate human costs in rather general and unspecified terms. In general, the negative physical and mental health outcomes to be expected from plant closings are not quite so severe as we might have expected. Still, since the two major mediating factors between the unemployed in-

dividual and illness are financial resources and social support, the lack of overwhelming evidence of such bad health outcomes is not surprising. It takes time, longer than the study period, to exhaust benefits plus severance pay. When resources are exhausted, problems do arise. Particularly significant is the fact that rural workers, who maintained the same networks after the closing as before, suffered least. The irony which emerges from the study of the mental health of displaced workers is that, for a time at least, their former stable work histories, their community attachment, and their family stability, provide some safeguard against the early onset of serious difficulties. Yet these very same factors are those which often impede their successful search for new employment which, ultimately, will provide the only secure safeguard against the negative outcomes which have been demonstrated to be consequent upon unemployment.

Some Policy Recommendations

We do know more about plant closings than we did 20 years ago, but we are, in general, doing about the same things in response to plant closings that were done then. It is clear from our analysis of relocation, retraining, and local job search and reemployment that these strategies have been generally unsuccessful. Moreover, we know now, in some detail, that such industrial shifts are costly in economic and social terms.

Prescriptions which lean heavily upon ideology provide policies which are unlikely to be adopted. Legislative attempts to restrict plant closings or to delay them will probably continue to fail, not only because they are designed to impose controls which will be resisted, but also because no mechanism has yet been suggested to cope with the ultimate results of the inevitable, albeit delayed and penalized, plant closing. Attempts to cope with results of present and continuing shifts in capital, production, and technology must pro-

ceed on different levels with different programs which are subject to some type of coordination.

Just as priorities have been acknowledged in the area of youth unemployment, a major national employment and training priority should be developed, preferably during the reauthorization process for the Comprehensive Employment and Training Act, for older workers displaced by plant closings. Such a priority is particularly crucial as the drains on the national and state unemployment funds continue and as the only alternative for many older workers is retirement, itself a major drain on the nation's retirement resources. However, when a major program direction is developed for displaced workers, attention must be directed toward analysis of earlier failure and the reasons for them. Therefore, national policy development must begin with a set of research tasks. To mount effective retraining and relocation efforts, several continuing studies are required. Regional labor forecasts, particularly those which assess labor shortages, should be supported fully and results disseminated rapidly to planners and program developers. Studies should be developed which assess the feasibility of some types of relocation programs; it may be that supported relocation, together with retraining, is not prohibitively expensive if the program is well-designed and closely targeted. When retraining programs are offered, they should be designed to provide skills which will be in demand. A major problem encountered by displaced workers is a lack of knowledge of the local labor markets, other labor markets, and the job search process. The employability development programs which have been signed for the hard-to-employ can be adapted and used for displaced workers with considerable success. Moreover, in a time of tight resources, income maintenance programs beyond unemployment insurance and severance payments, such as Trade Adjustment Assistance, should have such carefully developed training

programs funded, available, and then required for participants in order to maximize the utility of the transfer payments. Programs once set into operation should be evaluated rigorously and the results of these evaluations continuously fed into the program planning and development process.

While the research and some of the planning function of a new national priority for displaced workers should be located on the federal level, service delivery should take place on several levels. Again, in a time of institutional contraction, there are several important yields on the local level to be realized from the utilization and attendant upgrading of vocational education programs in local educational agencies, particularly community colleges. Moreover, community colleges, with their traditional tripartite structure around general education, vocational education, and community service, have the capacity to respond quickly to local needs while having the assets of linkages in the local community, throughout the state, and through their associations, throughout the nation. Close coordination with other local agencies and providers of services should be a major objective of any local program.

If the information and goal-setting function lies with the federal government and service delivery depends upon local and state efforts, a major role for the local community is the development of an effective community response to any type of large-scale dislocation. The formation of coordinating groups which minimize duplication of services and activities while insuring the allocation of resources for neglected services—such a short term health care—is essential. From such a coordinating group, allied perhaps with other local economic development agencies and groups of concerned community members and businessmen, can develop the local planning and implementation capacity for economic redevelopment.

The research results give us some idea of how such a program might be designed. Let us suppose that a market shift, obsolescence, and the demand for technological innovation indicates that the best course for a specific company is a move from a community which was, for jobs and for tax support and indirect economic activity, highly dependent upon that facility. An ideal strategy for management to adopt in such a case would be early notification of workers and local leaders, accompanied by an indication of willingness to help support some minimal fact-finding activities to aid the community and some additional assistance to workers. If possible, transfer rights could be offered. Supervisors and other managers could permit some time off for interviewing and some assistance with job search. Recently, companies have been retaining the services of plant-closing teams which offer employability development programs for displaced workers before the closure. Such services can be costly, but similar activities could be provided by local employment and training agencies if sufficient latitude in submission of plans to regional and federal offices were allowed and if offering services to displaced workers became a priority nationally and for such agencies. The lead time would also be helpful for local groups, including community agencies and service providers, to begin planning and coordination activities to provide transition assistance for those who will be jobless for a period of time. Labor would obviously have considerable interest in exploring options for possible transfer and might also assume responsibility of seeking information from outside groups, if necessary, about the current condition of the labor market locally and elsewhere. Labor would also continue to bargain for the best possible termination settlement, and might consider working with other groups in the community should employee ownership appear a feasible option or should there be some possibility of attracting other industry using similar types of skilled workers to the area and perhaps even to the facility

itself. Such union activities would, of course, reduce management's apprehension about possible damage to the physical plant and equipment. Community groups, particularly local educational agencies, could facilitate job placement and provide training opportunities; in fact, appropriate new training could actually be developed for the local labor market. Such training, which must be designed with knowledge of present labor needs and some sense from forecasts of future labor market trends, could become one basis for continuing economic development. A pool of trained workers is obviously one important selling point in a campaign to attract new industry to an area.

A program such as this differs from those described in the literature in several important respects. First, it offers more than one activity designed to facilitate reemployment for displaced workers; it provides, when possible, transfer, employability development assistance, and retraining. It also serves to coordinate services for personal, family, and health problems during the transition period. Third, it relies upon local agencies to develop retraining, while it also emphasizes the necessity for good information about labor market trends. Finally, these initiatives have long term potential beyond the important first task of facilitating reemployment for displaced workers; it begins to provide trained workers, and community coordination and development efforts, all important factors in attracting new business. Obviously such a coherent program is an improvement over those which offer only one or two program elements. Still, the success of such a program depends in large part upon the local unemployment rate, and to a lesser degree on the economic condition of the region and the country.

It is to be hoped that the "new industrial relations," the reduction of areas of conflict between labor and management and the concomitant enlargement of areas of cooperation, will set a pattern for such collaborative action in plant

closings to come. Despite the lack of precise quantative data, few will deny that plant closings are unfortunate and costly. Many, however, will point to current economic conditions of slow growth as reasons to refrain from intervention. Yet interventions need not be particularly costly, nor should all costs and activities be associated with federal programs. Resources are available in local agencies and educational institutions, as well as in management, labor unions, and the local community. In fact, unfavorable economic conditions dictate a cautious, careful, and informed use of all resources. Given the national priorities which have emerged recently, what has traditionally happened to displaced workers cannot be permitted to continue. Long term survival on income maintenance programs is destructive for individuals and does not provide needed contributions to the economic growth of the nation.

The literature reviewed here, despite the shortcomings described, remains an important resource for future policy development and program design. It is not so much what we have learned to do that is critical for the future. It is more what we have seen does not work and what the reasons for failure have been. But most important of all, the research reviewed bears eloquent witness to that often quoted remark of the theologian Paul Tillich: "Not to decide is to decide." Indeed, we have not yet decided what to do about plant closings and industrial relocation in America and until an informed decision is made, we will continue to live with the economic stagnation and human misfortune that our failure to decide has permitted.

Plant-Closing Studies

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5. Devino, William, Raphaelson, Arnold H. and Storer, James A., *A Study of Textile Mill Closings in Selected New England Communities.* University of Maine Press, Orono, Maine, 1966. Six case studies covering displaced textile workers in six New England communities.

6. Dorsey, John W., "The Mack Case: A Study in Unemployment," in *Studies in the Economics of Income Maintenance,* Otto Eckstein, ed. The Brookings Institution, Washington, DC, 1967. A case study of 351 displaced autoworkers at a Mack Truck plant in Plainfield, New Jersey.

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11. Palen, J. John and Fahey, Frank J., "Unemployment and Reemployment Success: An Analysis of the Studebaker Shutdown," *Industrial and Labor Relations Review,* January 1968, pp. 231-250. A case study of 368 displaced autoworkers at a Studebaker plant in South Bend, Indiana.

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14. Shultz, George P., "The Fort Worth Project of the Armour Automation Committee," *Monthly Labor Review,* January 1964, pp. 53-57. A study of 650 meatpackers at an Armour plant in Fort Worth, Texas.

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